Austria	Sch30	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.950	Iran	Rls210	Philippines	Peso40
Belgium	BFr60	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Esc175
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr13	Korea	Won 2000	S.Arabia	SR8.00
Egypt	E£3.50	Kuwait	Fils.600	Singapore	S$4.10
Finland	FM9.50	Lebanon	L£1,000	Spain	Pta175
France	FFr9.00	Lux	LFr60	Sweden	SKr13
Germany	DM3.00	Morocco	MDh10	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bt50
Hungary	Ft145	Nigeria	Naira15	Tunisia	Din0.900
Iceland	IKr180	Norway	NKr13.00	Turkey	L5000
India	Rs30	Oman	OR1.20	UAE	Dh8.00

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JAPAN

Muddied waters on EC car sales deal

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World News

Yugoslavia ceasefire marred by shooting

The latest attempted ceasefire between Croat and federal Yugoslav forces was dogged by mutual suspicion as shooting broke out in Zagreb, the Croatian capital, and federal army troops attacked the eastern city of Osijek.

Croatian president Franjo Tudjman said that talks on separating the warring parties would begin once the agreed "absolute and mutual ceasefire" was in place. It had been due to take effect at 3pm local time. Page 16

Cambodia peace hope

UN officials are confident that a peace agreement to end Cambodia's 12-year civil war will be ready to be signed next month. This will pave the way for a huge UN peacekeeping and election-control operation expected to be launched in November. Page 16

French immigration row

Valéry Giscard d'Estaing, former president of France and a possible candidate for the 1995 presidential election, sparked a political row with calls for a tough line on immigration. Page 16

Yeltsin mediates

Russian president Boris Yeltsin said he was confident that weekend peace talks on the disputed enclave of Nagorno-Karabakh would result in a breakthrough declaration today. He had been mediating to try to end fighting between Armenians and Azeris over the territory which is administered by Azerbaijan. Page 2

Palestinian meeting

Palestinians gathered in Algiers for a meeting of the Palestine National Council to decide whether to attend a US-proposed Middle East peace conference. PLO leader Yassir Arafat said they needed further assurances on the scope of the talks. PLO dilemma, Page 6

HK reformists snubbed

Hong Kong governor Sir David Wilson largely ignored recommendations by the colony's recently elected pro-democracy groups in his appointments to the Legislative Council. Most of the 17 people he named are seen as favouring stability rather than faster democratisation. Page 6

Irish fraud squad plan

Charles Haughey, Irish prime minister, said the time had come to set up a serious fraud squad. His plan follows a series of financial scandals that have jolted confidence in his government and the business community. Page 4

SA army reform move

The African National Congress is studying government proposals for an army which could include black veterans of the 30-year war against South Africa's white-led military machine. Page 4

Tibet rule condemned

China's rule of Tibet has created a catastrophe for the country's people, with discrimination and racism rampant, said a report by a US-based human rights group, the International Campaign for Tibet.

Call to lift sanctions

Yemen called for UN economic sanctions on Iraq to be lifted, saying they were no longer justified. Saddam calls meeting of defence chiefs, Page 6

Land reformers killed

Seven members of a leftwing group agitating for land reforms were killed by a landlord militia group in India's eastern state of Bihar.

Six die in canal plunge

Six Zaireans drowned when their car plunged into a canal at Mechelen, near Brussels.

Business Summary

Orders rise boosts hopes for end to UK recession

For the first time in 16 months, a majority of UK manufacturers now expect output volumes to improve, adding weight to recent claims from the UK government and the Bank of England that the British economy is climbing out of recession. The Confederation of British Industry's latest survey of monthly trends cites a slight improvement in domestic and export orders. Page 11

EUROPEAN monetary system: The Belgian franc weakened in the ERM grid last week, slipping from second to fifth strongest, while the Italian lira and Dutch guilder both strengthened at its expense. The Spanish peseta remained at the top, buoyed by high interest rates, while sterling, the French franc and Danish krone remained at the bottom.

EMS September 20, 1991

GRID

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the EMS narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. Sterling and the Spanish peseta operate with 6 per cent fluctuation bands.

BRITISH AEROSPACE chairman Prof Sir Roland Smith is coming under increasing pressure from non-executive directors and City institutions to step down. Page 17

MAUS FRERES, the Swiss family-owned holding group, has asked Goldman Sachs, the US investment bank, to advise it on possible asset sales, including that of Au Printemps, the Parisian stores group it controls. Page 17

ITALY'S high rate of inflation and unemployment, with a large budget deficit, are placing the economy increasingly out of line with the rest of its main industrial partners, according to the Organisation for Economic Co-operation and Development. Page 16

BANK OF YOKOHAMA, the Japanese bank which bought control of Guinness Mahon Holdings, said that it was considering restructuring the operations of the ailing merchant bank, including a possible staff cut. Page 19

ASDA, the UK supermarket group, is planning to raise around $519m through a rights issue. Page 17

WILLIAMS Holdings, the UK industrial conglomerate which last week launched a hostile $1.2bn bid for Racal Electronics, said it was in advanced talks on buying the US fire protection arm of Rockwell, the California electronics and aerospace group. Page 18

MAXWELL Communications Corporation, the heavily indebted publishing and media group, is selling its lossmaking US business and reference arm to Thomson Professional Publishing. Page 18

Britain denies changing tack on Emu

UK still opposed to imposition of single currency

By David Buchan in Brussels **and Rachel Johnson and Ivo Dawnay** in London

THE British Treasury denied yesterday that the UK government was significantly reducing its opposition to a single European currency in order to gain inclusion in the first division of a two-tier community, insisting that parliament should retain a veto on moves towards currency union.

"It remains the UK's position that we cannot accept the imposition of a single currency," the Treasury said. Mr Lamont, UK chancellor of the exchequer, had spelt out the importance of retaining "national discretion" over the pound at the meeting of EC finance ministers in the Netherlands.

But at the meeting, other EC ministers said the process of healing the rift among them over a two-speed move to economic and monetary union (Emu) had made it harder for the UK to escape a commitment to a single currency.

They said all 12 states should have a say in moves towards Emu, and that no institutional barriers should be erected to lagging economies joining the currency union late.

But Mr Norman Lamont, the UK chancellor, has told Conservative MPs that no firm commitments have been made. He rejected the collective view that the Emu treaty, due to be signed in December at Maastricht, should now be written to assume that all 12 EC members will join Emu, with temporary let-outs – known as "derogations" – for those states not yet economically fit to do so.

Three-point consensus................Page 4

He clearly preferred an earlier proposal by the Dutch presidency of the EC which put the onus on countries to "opt in" to Emu, rather than the new formula which will be tilted towards "opting out".

Although Mr Lamont is clinging on to the British parliament's right to decide on monetary sovereignty, some observers yesterday read the meeting as evidence that the UK is keen to be among the first wave of single currency users.

Mr Lamont outlined a five-step procedure by which a minimum of eight out of the 12 member countries would progress to stage three of Emu, when a single currency is managed by a European central bank.

"If the appropriate policies are followed, there is no reason why Britain should not be in a position to join" by the planned Emu review date of end-1996, Mr Lamont said.

Treasury insiders interpreted this as a way of ensuring that Britain was not left out of important policy decisions. It is determined to be one of the countries likely to institute and staff the central bank responsible for managing European monetary policy and the currency.

Mr Pierre Bérégovoy, France's finance minister, predicted that "at least seven countries will be ready [for Emu] by 1997, and the UK will be in that group".

In London, Mr David Mellor, the treasury chief secretary, used a BBC radio interview to insist that Mr Lamont's contributions to the Apeldoorn meeting did not indicate any change in government policy.

"Being at the heart of Europe, working in partnership with our partners in a good spirit does not mean changing fundamental policy positions," he said.

But despite Mr Mellor's disavowal of any shift, there was no doubt that weekend reports – suggesting that Britain is tacitly acknowledging acceptance of Emu – will cause further disquiet within the Tory party.

Mr William Cash MP, the anti-federalist chairman of the party's backbench European Affairs Group, said he would now be seeking further clarification of the government's position.

Mr Cash said he would be questioning "a very substantial number" of MPs who had been assured by the prime minister that there would not be a European federal "super-state."

A woman sits outside a government building backed by the Georgian National Guard

Georgian opposition holds Tbilisi television station

By Neil Buckley in Tbilisi

THE THREAT of civil war hung over the Georgian capital Tbilisi last night as thousands of government and opposition supporters took up positions in different parts of the city.

Outside Georgia's Supreme Soviet, about 5,000 people proclaimed their support for President Zviad Gamsakhurdia, chanting "Georgia and Gamsakhurdia are one".

The focus of the opposition, meanwhile, moved to the headquarters of Georgian television, where several thousand people came to the aid of workers who have been on strike, refusing to broadcast what they call "disinformation" from the government. The strikers have also attracted support from about 100 rebel soldiers from unit of the National Guard.

In front of the television station stood a barricade of buses and lorries. Hosepipes from a fire engine and the television centre were ready to be used against attackers.

Demonstrators on both sides gave a warning of bloodshed after three weeks of mounting tension which began when police broke up a demonstration against the Mr Gamsakhurdia. Opposition forces are demanding Mr Gamsakhurdia's

Continued on Page 16

Court halts Brazil's pioneering flotation

By Christina Lamb in Rio de Janeiro

BRAZIL'S first privatisation issue has been suspended by a last minute court ruling which could conceivably jeopardise the entire $18bn programme.

The auction of Usiminas, the country's largest steel mill, was due to take place tomorrow, and several foreign groups and banks had qualified to bid. However, at the weekend a federal judge ruled in favour of a civil action to suspend the flotation.

The action questions the setting of a $1.8bn minimum price for the flotation as well as a recent agreement to increase the capital of Nippon Usiminas, a Nippon Steel-led Japanese consortium which is a minority shareholder in Usiminas.

But the main reason for the action is the government's decision to allow foreign debt instruments to be used as currencies in the auction.

The ruling is the latest in a series of hitches to the state sell-offs, which were initially planned to start in June 1990.

Brazil's attorney-general recommended the auction's suspension 10 days ago on the grounds that Mr Fernando Collor de Mello, Brazilian president, had exceeded his authority by allowing foreign debt to be used. Mr Collor's own vice-president had spoken openly against the sale.

The government will today appeal against the ruling. But an official from the National Development Bank (BNDES), which is overseeing the pro-

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Crusade crumbles, Page 15

US ready to shift policy on Soviet membership of IMF

By Lionel Barber in Washington

THE US is preparing to drop its long-standing opposition to the Soviet Union becoming a full member of the International Monetary Fund and World Bank.

The prospective shift in US policy – which would allow the Soviet authorities to borrow directly from international financial institutions – reflects a new, optimistic assessment of the Soviet leadership's willingness to tackle economic reform.

It also stems from a growing realisation in Washington that the IMF – as a neutral body with substantial credit resources – should take the lead role in dealing with a future Soviet economic reform plan rather than the US, facing a budget deficit next year of $345bn (£204bn).

Senior US officials are more optimistic than before about the prospects for economic reform in the Soviet Union, with the big qualification being that workable power-sharing and economic agreements need to be reached between the republics, particularly Russia and the Ukraine.

The high-level US assessment is that the abortive Kremlin coup in August "wiped out" earlier opposition to a market economy and that virtually all power has flowed to the republics. "We are now dealing with a very different country," said one senior administration official.

Mr James Baker, US secretary of state, who visited Moscow two weeks ago, has emerged as the leading advocate of a more flexible approach. During talks, he

Republics shun Yavlinsky plan...........................Page 2

pledged direct economic aid to the Soviet Union on condition there was a "clear commitment" to economic reform. By extracting several key concessions, notably a Soviet pledge to end its military presence in Cuba and a cut-off in aid to Afghanistan, Mr Baker removed political obstacles to future US financial aid.

US president George Bush has remained cautious on the IMF issue and direct US financial aid, and a final decision may still be several months away. But the emerging consensus among western diplomats and US officials is that Mr Bush will shift – just as he did last month when he pledged large-scale humanitarian aid to the Soviet Union and republics this winter.

A key factor is last year's budget agreement with Congress which imposes caps on individual spending categories.

The White House remains confident that it can absorb the costs of medical and food aid to the Soviet Union within existing targets, but a request for substantial direct aid to support a reform package, possibly as early as next spring, could embarrass the administration.

Senior US officials are therefore examining seriously a Democratic proposal to transfer $1bn from the defence budget. The difficulty is that this could unravel the budget accord, since it would involve a

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FT SURVEYS THIS WEEK

Global Custody: A cross-border banking product administering hundreds of billions of dollars worth of assets.
(Tomorrow's survey).

INTERNATIONAL NEWS

Leaders opt for alternative to Moscow's version of economic union

Republics shun Yavlinsky plan

By Chrystia Freeland in Kiev

FEAR of Russian domination has led the former Soviet republics to set up an alternative to the economic union proposed in Moscow earlier this month by Mr Grigory Yavlinsky, one of the four-man interim central government.

Leaders of the republics met in the Estonian capital, Tallinn, at the end of last week and signed three non-binding "interstate" protocols concerning trade relations, monetary policy, communications and *transport*.

The agreement opens the prospect of two distinct economic unions emerging, one based in Moscow and a second with headquarters in Tallinn.

Mr Nursultan Nazarbayev, Kazakhstan's president, is attempting to convene a conference of all republic leaders in his capital, Alma Ata, on September 30 to discuss emergency economic measures. Soviet President Mikhail Gorbachev would not be invited.

Thirteen of the 15 republics *participated in the Tallinn* meeting, including Russia, although the latter's representative, deputy prime minister Yevgeny Saburov, disagreed with some of the proposals.

The Tallinn Process, as the negotiations have been dubbed, reflects growing fear among the non-Russian republics that Mr Boris Yeltsin's White House – the Russian parliament – is *as great a threat to their sover*eignty as the Kremlin.

Mr Volodymyr Lanovy, Ukraine's minister for privatisation, said the joint moves were an attempt to prevent Russia from unilaterally taking over former all-Union property.

At the weekend Mr Lanovy rejected the Yavlinsky model as "another effort to force upon us a single financial and monetary system".

The republics agreed to discuss division of the Soviet Union's foreign debt and gold, *diamond and hard currency* reserves at their next meeting, in three months.

They agreed to negotiate new inter-republic trade contracts, but assured the Baltic republics that their supplies would not be cut off this year in retaliation for independence.

They also agreed to drop the rouble as the internal trading currency as soon as the republics introduced separate currencies. By contrast, the Yavlinsky plan envisages inter-republic trade being conducted in roubles, even after separate currencies emerge.

The republics also discussed a Ukraine suggestion to create an interstate clearing-bank, which would establish exchange rates between republican currencies. The Russian delegation favoured instead a single all-Union bank.

● Ukraine will be poised to introduce a separate currency *by the first quarter of next* year. Over the weekend the republic decided to print banknotes and to embark on an economic reform programme which would give them value.

Mr Volodymyr Matvienko, chairman of the Ukrainian National Bank, signed a letter of intent with the Canadian Banknote company. According to a company consultant, Mr Orest Nowakisky, Mr Matvienko will travel to Ottawa next week to negotiate a deal to print 1.5bn banknotes in Canada and construct a turnkey mint in Ukraine.

Canadian Banknote is asking about \$2.9m (£1.71m) to print the notes and is offering to build the factory as a joint venture, which would recoup its costs by printing money for other republics and nations.

Polish MPs approve bank reform

THE POLISH parliament's lower chamber, the Sejm, has approved changes in the country's banking laws, tightening the central bank's supervisory powers, writes Christopher Bobinski in Warsaw.

The changes, which have yet to be approved by the Senate, also introduce stricter lending requirements for both state and private banks.

They follow the Art B scandal which led last week to the arrest of Mr Grzegorz Wojtowicz, the former head of the NBP, the central bank. Art B is a private company which is alleged to have raised funds on the basis of fraudulent loan guarantees.

Under the new rules banks will be limited to lending up to the value of 15 per cent of their capital to any one client.

● Anthony Robinson adds: Poland and the Soviet Union agreed barter deals worth *\$700m (£415m) over the week*end, marking a resumption of trade which virtually collapsed after the abolition of Comecon and the switch to hard currency trading on January 1.

Mr Boris Yeltsin, Russian president (left), and his Kazakhstan counterpart, Mr Nursultan Nazarbayev, during a weekend visit to Baku, inAzerbaijan. The two leaders are in the republic in an attempt to set up talks over the disputed Nagorno-Karabakh enclave, focus of one of the Soviet Union's most intractable ethnic conflicts, Reuter reports from Moscow.

Several thousand Armenians turned out to welcome the two men during a visit to Stepan*akert, the enclave's capital, according to the* Tass news agency. However, the Azerbaijani minority remain sceptical; more than 800 people have been killed in fighting between the two communities since 1988.

After talks in Stepanakert, Mr Yeltsin and Mr Nazarbayev flew to the Armenian capital, Yerevan. "It was stormy, not easy in Stepanakert," Mr Yeltsin said on his arrival. "But, at the end of the day, the meetings were very constructive. We would not have started this peace mission unless there was a way out and the most important thing is that the negotiating process has started."

He then went into talks with Armenian President Levon Ter-Petrosian, who has been buoyed *by an overwhelming vote for independence in* a referendum on Saturday.

As first returns showed 92 per cent of the electorate in Yerevan voting for secession, Mr Ter-Petrosian said, the republic's parliament would declare independence today.

Gummer discovers confusion on agenda

By Mark Nicholson in Moscow

THE inefficient Soviet food distribution system was the first thing on the minds of Mr John Selwyn Gummer, the British agriculture minister, and a team of leading British food industrialists who arrived in Moscow last night.

However, the poor system for distributing visiting delegations was the main preoccupation of British diplomats to whom the dislocated Soviet and Russian authorities had still not been able to offer an agenda for the 10-day trip.

"We hope they'll come up with something tomorrow," said one official hopefully. Another was less sanguine about the coherence of central authority in post-coup Moscow. "This place is like a corpse," he said. "It's still twitching – but we can't find the head anywhere."

Mr Gummer will be less troubled by the disorganisation; if only because he plans to stay in Moscow a little over 20 hours to study food distribution systems. He decided only on Thursday to visit Moscow, after talks with Mr Yuri Luzkhov, chief executive of Moscow, who was visiting London.

British officials frowned, almost convincingly, on speculation that Mr Gummer's sudden mercy-dash to Moscow had more to do with British electoral politics than Soviet food supplies.

A hasty tour of Moscow shops has been arranged for Mr Gummer, and more talks with Mr Luzkhov – if he shows up. "We think he's in Warsaw, but we hope he may be in Moscow tomorrow and can meet the minister," said an official.

The eight-member team, led by Mr Ronald Macintosh, head of the British Food Consortium, and including the chief executives of some of Britain's biggest food processing and retailing groups, appeared calmly unconcerned by their lack of agenda. One suggested they may now have a better chance of "avoiding those long meetings in offices with bad interpreters".

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INTERNATIONAL NEWS

Yugoslav military 'intent on carving out greater Serbia'

By Judy Dempsey in Zagreb

THE massive military operation launched late last week by Yugoslavia's Serb-dominated army is aimed at carving out and consolidating a greater Serbia, through a three-pronged offensive, according to senior officials from the republics of Croatia and Bosnia-Hercegovina.

To achieve this goal, the army, with the support of Serbian paramilitary units, has first to relieve federal military barracks which are being blockaded by Croatia's national guard.

It must also complete the mobilisation in Bosnia-Hercegovina, and move troops and reinforcements across that republic to the Croatian border.

Croatian and Bosnian officials believe the federal army, and Serb paramilitary units, supported by President Slobodan Milosevic of Serbia, will also try to capture Vukovar and Osijek. These two strategically important cities in Slavonia, eastern Croatia, have been repeatedly attacked by federal and Serb units over the past fortnight.

If this three-pronged strategy is achieved, the borders of a greater Serbia will be consolidated.

The latest military thrust by the Yugoslav army is concentrated on the partly Serb-populated Krajina and Slavonia areas of Croatia (see chart) and the notional corridor linking Serbia to the sea through Bosnia-Hercegovina.

However, Croat officials believe the federal army will not be able to sustain this offensive.

"I believe the federal army is disintegrating. It is the last Yugoslav institution," said Mr Gojko Susak, Croatia's new defence minister. "All the federal institutions have collapsed. The army's only support is Serbia and Serb nationalists. But even Milosevic has had to call up volunteers. There are many deserters. Young men have gone into hiding. Over 30 federal barracks in Croatia have surrendered. But the army will fight to its last breath. It will be a long struggle."

Croat officials also believe that the army will not be able to capture Vukovar or Osijek, which have populations of 40,000 and 100,000 respectively.

Despite the heavy fire-power of the federal army, Mr Susak and Mr Rusmir Mahmutcehajic, the deputy prime minister of Bosnia-Hercegovina, said the civilian population, and the republics' own territorial defence units, would do everything in their power to stop the creation of a Greater Serbia dictatorship.

Mr Mahmutcehajic yesterday said that throughout the weekend, federal army units had moved north from the republic of Montenegro, a loyal supporter of Serbia, into Bosnia-Hercegovina. "On Friday night, 2,000 federal troops were stopped by the people near Caplina, in south-western Hercegovina, where many Croats live," said Mr Mahmutcehajic. "But then the federal soldiers were transferred in unmarked buses into the republic to join other units."

Anxious Croats wait for the all-clear signal in an underground bomb shelter in Zagreb yesterday

The federal army has six brigades, or 20,000 troops, stationed in Bosnia-Hercegovina which have now been mobilised against the wishes of the republic's presidency.

At the same time, the republic's territorial defence units have also been called up to counter any attempt by the federal army to annex parts of the republic to Serbia. "The potential for civil war is enormous," said Mr Mahmutcehajic.

Bosnia-Hercegovina's 4.7m population consists of three ethnic groups: Moslems, who make up 43 per cent of the population, Serbs (33 per cent) and Croats (17 per cent.) Mr Mahmutcehajic said the federal army in the republic, which is under the command of General Nikola Uzelac, a Serb, was working closely with local Serb paramilitary units.

These units, manned by Bosnian Serbs, are located around the city of Banja Luka, north of the republic, which is close to the border with Croatia. The federal army yesterday moved troops across the river Drina at Visegrad to join Serb units at Banja Luka.

Bosnian officials said these Serb units were determined to use the region north of Banja Luka as the bridgehead for linking parts of Croatia's western Adriatic coast as well as Krajina, the Serbian autonomous region in the south-west of Croatia, with eastern Croatia and the Serbian-controlled province of Vojvodina.

"Mr Veljko Kadiejevic, the federal defence minister told the presidency of Bosnia-Hercegovina at the weekend that federal troops are going through our republic to Croatia to relieve the army barracks," said Mr Mahmutcehajic. "But I am also sure that the army is being used to complete the division of Yugoslavia. The army is trying to include parts of Bosnia-Hercegovina in the new greater Serbia. It wants to break the resistance of the republic. We will resist," he said.

Mr Susak echoed his words. But, both agreed, it will be a long and bloody war.

Bombarding the barracks with patriotism

By Judy Dempsey

IT has been a long week for Dr Danko Velemir Vrdoljak.

In normal circumstances, he would be working at a hospital in Zagreb. But his sense of patriotism has taken him to the perimeter of the federal barracks of Borongaj, 5km outside the Croatian capital.

For the past eight days Dr Vrdoljak, 25, armed with a Kalashnikov rifle, has spent his time with a small unit of Croat national guardsmen who have been blockading the barracks. "I left my job last Friday week. This unit here, and the Croatian Party of Rights, [a far-right wing nationalist movement] which I joined last week, needed a doctor in case there was fighting. So here I am."

The unit will not move away until it receive orders from the Croatian Ministry of Defence. "We will not let the federal army soldiers out of this barracks until we are told to do so," he said.

There are about 500 soldiers inside the barracks. Dr Vrdoljak said many were aged only 17 or 18. Since September 14 they have received no food or water and have no electricity.

"We cannot lift this blockade. There are terrorists inside this barracks. There are dangerous people in there. They have weapons. However, I think some of the soldiers want to surrender. But their commander will not allow them," Dr Vrdoljak explained.

He said five soldiers had managed last week to escape from the barracks. "We allowed them to go home. But I heard some shooting in there a few days ago. The commander has not allowed the wounded to leave the barracks. And last Tuesday night it was really awful, we were attacked by sniper fire. It was one of the worst nights in my life."

Howitzer shells were fired from the barracks into the national guardsmen. Two were slightly injured but a nearby factory was hit by sniper fire.

The Croatian defence ministry is trying to wear down the resistance and morale, particularly among the younger conscripts, who have not been seen during daylight since the blockade began.

During the long, hot days, the Croats switch on loudspeakers at regular intervals. A voice, calling on the federal troops to surrender, blares across the barracks.

The troops inside probably know the message by heart: "The city of Zagreb, which has given you hospitality, pleads to you officers and soldiers to leave the Yugoslav People's Army, whose generals are causing destruction....

"Do not let the generals use you to protect their privileges. Do not allow your lives to be used for protecting a failed ideology and for destruction. Your colleagues in other barracks in Croatia have left and deserted. They are already at home. Do not let blood remain in our words, our lives and our land...."

Dr Vrdoljak, who knows he could easily emigrate with his qualifications – he has a degree from Williams College in Massachusetts and speaks impeccable English – prefers to remain in Croatia and serve the cause.

"We all have the same wish – independence. I think Tudjman [the president of Croatia] could be much tougher and stronger. That is why I joined the Croatian Movement for Rights."

He expects it will be another long week.

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David Buchan analyses the Apeldoorn finance meeting

Three-point consensus ends two-speed Europe

TWO-SPEED Europe is dead. The minority of EC states should be allowed to follow the majority into monetary union.

This was the thrust of what finance ministers of the Twelve agreed in the Dutch town of Apeldoorn on Saturday. Now, even close observers of Europe's great debate over economic and monetary union (Emu) can be forgiven for not spotting the difference.

Yet, ministers were virtually unanimous that they had made an important change of tack that will allow an Emu treaty to be signed at the EC summit at Maastricht in December.

The fear that the stronger economies of northern Europe would jump into an early union, leaving other EC states behind in the monetary cold, has been gnawing at the latter for some time. It has been worrying them, in fact, ever since the last informal meeting of the 12 finance ministers, in May in Luxembourg, when Germany and its immediate northern neighbours started to warn loudly that only those countries whose inflation and budget performance converged closely with their own could expect to share a single currency with them.

The fear was best put on Saturday by Mr Albert Reynolds, Irish finance minister: "We are opposed to suggestions that the two-speed approach is the likely scenario, as distinct from something that has to be provided for in case of necessity".

Mr Miguel Beleza, Portugal's finance minister, asserted: "We will never speak of two-speed Europe again", which seems doubtful, but the debate has been transformed by the Apeldoorn consensus on *three points:*

● Convergence. No one dared quarrel with the strict price, interest rate and budget discipline criteria which the Dutch presidency (with heavyweight German, French and British backing) says each country must meet before it enters Emu. Mr Theo Waigel, German finance minister, sugared the pill for the south by saying "there should also be scope for a political judgment" on whether a country was fit for Emu.

Only Mr Carlos Solchaga of Spain stuck his neck out by saying that, while he was sure that his country would be ready by 1997 (the intended date for the final Emu decision), the Community should wait two more years in the hope that all 12 could enter Emu at the same time. Mr Wim Kok, Dutch chairman, dismissed this as faint-heartedness about the convergence process by which, already this autumn, 10 EC states have submitted their medium-term plans for collective discussion in Brussels.

● The transitional institution. The last two holding out – Italy and the Commission – for establishing the embryo European Central Bank (ECB) during the transitional second stage of Emu (meant to last through 1994-97) bowed, with good grace, to the majority preference for the European Monetary Institute (EMI), which would simply co-ordinate 12 monetary policies, still run by national central banks. The price successfully demanded by Mr Guido Carli, Italian finance minister, was that "the minute the ECB is born, the EMI dies". If the EMI *were to linger*, it would be seen as a semi-permanent home for "second division" countries outside Emu.

● Decision-making on the final Emu stage. The Commission and the EMI would report on the state of convergence; finance ministers would recommend to an EC summit as to which countries were fit to proceed to Emu; that summit would pronounce whether the time was ripe for an Emu; if so, finance ministers would then take implementing decisions. Until this last stage, individual governments could still opt out.

To be inserted somewhere into this procedure is the widespread desire for a minimum quorum of countries needed to make an Emu politically and economically viable. A minimum of six, as proposed by the Dutch earlier, was thought to be too small. Belgium suggested seven, the UK and some others eight, and Mr Kok ended by agreeing a majority of the Twelve was necessary.

For all the UK's clear intention to sign an Emu treaty 10 weeks hence, Mr Norman Lamont, its finance minister, left Apeldoorn slightly more uncomfortable than when he arrived. Worried politically more about "any-speed" rather than "two-speed" moves to Emu, he did not like the Apeldoorn solution of assuming that all 12 will be in Emu, giving laggards special "derogations".

Mr Delors made it worse by defining these as temporary or transitional arrangements. That implies, complained Mr Lamont, "our commitment" to a single currency.

ANC studies S African army reform plan

THE African National Congress (ANC) is studying government proposals for an army which could include black veterans of the 30-year war against South Africa's white-led military machine, Reuter reports from Johannesburg.

Three Sunday papers reported leaked details of a proposal to the ANC and Zulu Chief Mangosuthu Buthelezi's Inkatha Freedom party on a code of conduct for the current army and a framework for a neutral post-apartheid defence force.

Both the government and the ANC declined comment on the reports, but one source did confirm that specific proposals had been made to the ANC.

Agreement in the short term on the code of conduct could plug the main gap in a peace accord signed by President F.W. de Klerk, ANC leader Nelson Mandela and Chief Buthelezi on September 14.

The three newspapers said the government had proposed making soldiers answerable to the constitution and the people rather than to the government in power or any political party.

It also proposed limiting the scope for secret operations such as the Civil Co-operation Bureau, a shadowy military hit squad alleged to have killed scores of anti-apartheid activists.

Buthelezi: "spears not dangerous"

The liberal Sunday Times quoted from the draft: "[Officers] recognise human rights in the execution of their duties and shall accept personal responsibility for... the legality of the conduct of their subordinates."

Mr Mandela, Mr de Klerk and Chief Buthelezi signed a 33-page agreement designed to end political conflict that has claimed an average of five lives a day since 1984.

Township killings have dropped sharply since it was signed. Police said yesterday only two people, one a policeman, had died in political violence on Saturday and during the night.

The accord included codes of conduct for political parties and for the police, who will be subject to the scrutiny of local watchdog committees and a national commission of inquiry. But it did not settle disputes over the future of the ANC's military wing, Umkhonto we Sizwe (Spear of the Nation), on a code of conduct for the army, or on the right of Chief Buthelezi's Zulus to carry so-called traditional weapons, including spears.

Chief Buthelezi said after the signing he did not regard the axes and spears brandished by his followers in a simultaneous show of strength as dangerous weapons that should be banned.

Zulu King Goodwill Zwelithini commanded his people yesterday to lay down their weapons and honour a peace pact with the South African government and the African National Congress (ANC), Reuter reports from Port Shepstone, South Africa.

The king unconditionally **endorsed the peace accord which was signed on September 14 by 26 political leaders including President F.W. de Klerk.**

More than 11,000 people – an average of five a day – have died since 1984 in countrywide political violence, most of it between the ANC and the Zulu-based Inkatha Freedom Party led by Zwelithini's prime minister, Chief Mangosuthu Buthelezi.

De Klerk: replaced defence minister

Mr Mandela insisted in a post-signing news conference that the ANC's armed wing, which claims to have weapons stashed inside South Africa, would not be disbanded now or in the future.

His wife Winnie told a rally in Soweto last week that Umkhonto, formed in 1960 to wage a guerrilla war against white rule, was "the army of the future South Africa".

Former defence minister Magnus Malan insisted repeatedly after the ANC was legalised in February last year that there would be no place for ANC fighters, some of them highly trained in the Soviet Union and East Germany, in his army.

But Mr de Klerk has since replaced Mr Malan with progressive Afrikaner Roelf Meyer, a key negotiator in the search for a political settlement with Inkatha and the ANC.

The Sunday Star said Mr Meyer helped to draft the proposals now before the ANC and Inkatha, which include talks with Umkhonto. The paper said the ANC had received his ideas favourably.

Car sales accord light on consensus

Kevin Done examines the European Commission's latest 'compromise' with Japan

IT is "a true compromise", beams Mr Martin Bangemann, European commissioner for the internal market and industrial policy. "Some consider it to be protectionist, some consider it to be giving up Europe and showing the white flag."

As one of the main architects of the recent deal between the European Commission and the Japanese government on the vexed issue of Japanese car sales in the single European market, Mr Bangemann is happy for the water to remain muddied. Too much clarity would only threaten the hard-worked for compromise.

Gatt sensitivities mean it is much less than a signed agreement. The deal – Elements of Consensus – was "the result of conversations between the Commission and Japan on motor vehicles", said Mr Frans Andriessen, European commissioner for external affairs.

However, in direct contrast to Elements of Consensus, other previously unpublished documents from the negotiations, obtained by the FT, would justify the title Elements of Disagreement.

These documents address the central issues of the level of Japanese transplant production in Europe and what share the European and Japanese motor industries should have in the European market's future growth or, crucially, what share they should have in any decline in demand.

Consensus was reached on having a seven-year transition period to the end of 1999, when the EC car market would be fully liberalised.

All bilateral restrictions on Japanese vehicle exports will go by the end of 1992.

A system for monitoring Japanese vehicle exports – to the EC as a whole and to the now-restricted markets: France, Spain, Italy, Portugal and the UK – will be introduced based on an assumed EC vehicle market of 15.1m in 1999 and Japanese exports of 1.23m.

In 1989 the EC market for cars and light commercial vehicles was 13.94m, with Japanese exports of 1.24m.

How to put these principles into practice was left unclear, however, as Brussels and Tokyo failed to bridge old differences.

Is there a ceiling on Japanese transplant production in Europe?

The UK government, champion of Japanese interests on this issue, publicly insists not. The more protectionist-minded car makers in France and Italy have been left with the impression, privately, that there probably is, while the Commission talks only of "working assumptions" for transplant output.

The chief actors in the deal – Mr Andriessen and Mr Nakao, Japan's minister for international trade and industry – have clearly differing views.

These are contained outside the main document in an unpublished four-paragraph statement: *déclarations conclusives (version finale)*. In practice, there is nothing conclusive or final about it.

Point one is a *déclaration* by Mr Andriessen to Mr Nakao, saying:

● "During these negotiations, the Commission has based itself on various working assumptions concerning the automobile market developments in the future, including an estimate of 1.2m vehicles" for the annual sales by 1999 – the end of the transitional period – of European-built Japanese vehicles in the EC.

Mr Andriessen adds: "May I, in this context, underline the importance which we attach to a constructive co-operation between the two sides in the implementation of the Elements of Consensus, in particular concerning the principles laid down in points 10, 11 and 14 thereof."

THE EUROPEAN MARKET

These points declare that:

● Future levels of Japanese vehicle exports to the EC "will be adjusted in an equitable manner" if the trend of demand and forecast demand deviates from the original assumptions.

● Japan "bears in mind the EC's concern" that EC car-makers' attempts to become internationally competitive would be affected if EC manufacturers "cannot enjoy the adequate benefit of market growth" or they face an "improper decrease" in production in a contracting market.

● The Japanese government will tell Japanese car-makers about the Commission's "repeatedly expressed concern that an excessive concentration of sales of their vehicles produced in the EC on specific national markets would cause market disruption" and would hamper EC car-makers' moves to become competitive.

Mr Nakao's reply illustrates that, on the issue of transplant production, there is a dialogue of the deaf. He ignores Mr Andriessen's reference to a production level of 1.2m.

His reply says: "During these negotiations the Japanese side has based itself on the working assumption that the export figure at the end of the transitional period is forecast taking into account total demand and the EC manufacturers' supply capacity as a whole.

"Let me call your attention to your commitment in the Elements of Consensus that Japanese investment or sales of its products in the Community shall not be restricted," he adds.

To Mr Yutaka Kume, chief executive of Nissan Motor and president of the Japan Automobile Manufacturers' Association, there is no doubt: Japan has not agreed to any limit on the production of Japanese cars in Europe. The figure of 1.2m vehicles for transplant production is "not a figure we have agreed between Japan and the EC. This is the EC's unilateral, internal assumption."

Is there agreement between Brussels and Tokyo on how to share future EC car market growth and decline between the European and Japanese motor industries?

Brussels appears to be talking to itself on this point. Brussels seems to have been unhappy with the vagueness of the conditions for the monitoring system but was unable to win Japanese agreement to a clearer statement of how it should work in practice.

It has had to resort to what it calls an Internal Declaration by the Commission – hitherto unpublished – in which it offers its own "interpretations", first of how the "adequate benefit of market growth" should be shared between European and Japanese vehicle makers, second of what the "equitable manner" should be for "adjusting" Japanese exports, if the market turns out to be lower than now assumed.

On the first point, the Commission states that the monitoring of Japanese vehicle exports will be conducted throughout the transitional period in such a way that Community manufacturers will benefit from one third of the growth of the market, compared with its 1990 level.

On the second point, the Commission states that, if demand for any one year is forecast in the twice-yearly monitoring meetings *to fall* below the originally assumed trend, then exports "will be reduced by 75 per cent of the deviation".

There is no reply by Mr Nakao on this point, and Mr Kume claims to have never heard of such figures.

Darman gloomy on US budget deficit next year

By Lionel Barber in Washington

THE US is likely to face a $345bn budget deficit next year, and is unlikely to move to a balanced budget until 1997 at the earliest, Mr Richard Darman, White House budget director, said yesterday.

He matched his bleak prognosis with a heavy public hint that he wants to include cuts in mandatory entitlements, such as health care, in a future budget reduction agreement with Congress.

Such mandatory spending categories account for two-thirds of the $1,500bn annual budget but are not subject to annual legislative review.

Now, however, "that trillion has to be on the table", Mr Darman said, suggesting renewed interest in pressing Congress into a big budget deal after the presidential election next year.

In a TV interview, Mr Darman echoed administration concern that the US economy was not growing rapidly enough. The recovery had begun last May, he said, but "the question is whether it is going to stay up or stay up strongly."

Although he cited consecutive rises in housing starts, industrial production and signs of a fall in unemployment, he said consumer spending remained disappointing. But he pointed out that private economists were looking for 2.7 per cent growth next year.

Mr Darman, the architect of last year's $500bn budget deficit reduction accord with Congress, said the recession, the Gulf war and federal deposit insurance had pushed the deficit higher than expected. But he expected a "substantial" fall in the deficit after next year's projected $345bn, with improvements every year thereafter.

Papandreou may give up leadership

SPECULATION grew yesterday that Mr Andreas Papandreou, the former Greek prime minister who was taken to hospital on Friday suffering from a lung infection, may give up day-to-day leadership of his Panhellenic Socialist Movement (Pasok), Kerin Hope writes from Athens.

His son-in-law, Mr Theodoros Katsanevas, a Pasok deputy, said three senior party members already recognised as contenders for the leadership should "form a joint committee to take responsibility for choices and decision-making in our movement".

He said Mr Papandreou should no longer tire himself by making speeches and public appearances but should "still continue to guide" the party he founded in 1974.

Doctors at Athens General Hospital said Mr Papandreou's condition was stable.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

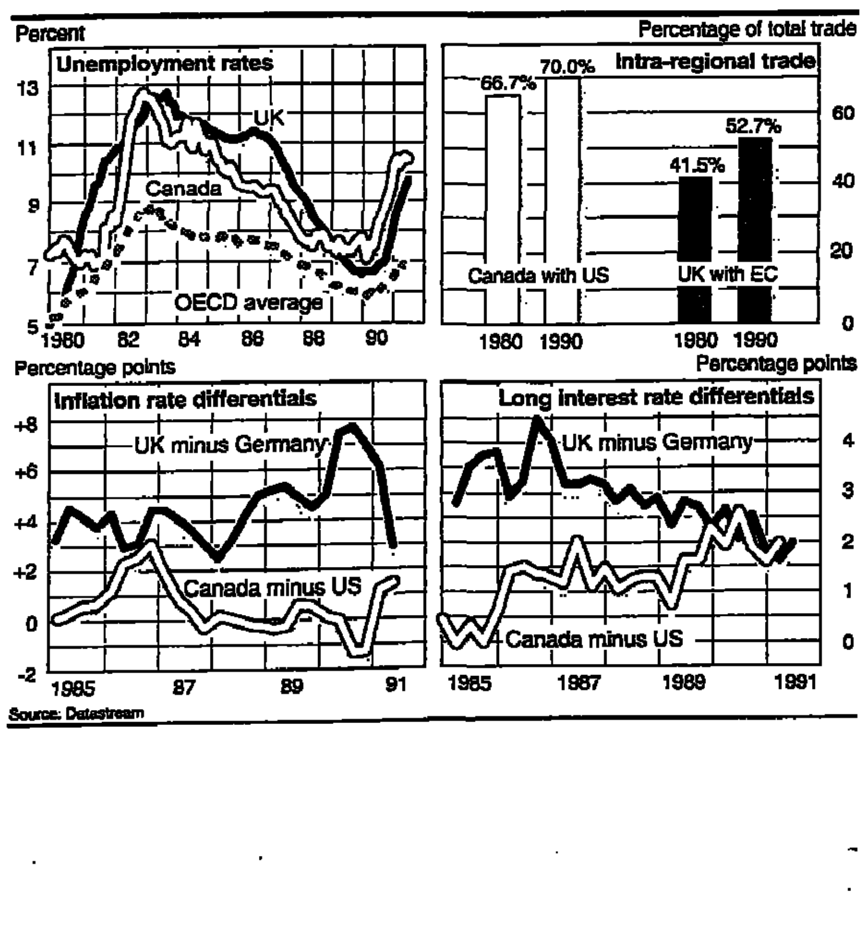
This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

	UNITED STATES Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	JAPAN Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1984	7.0	7.9	10.22	12.43	n.a.	2.9	7.7	6.48	6.80	n.a.
1985	9.2	9.1	8.00	10.62	n.a.	4.6	8.2	6.62	6.34	n.a.
1986	12.3	8.3	6.49	7.68	3.43	7.4	8.7	5.12	4.94	0.84
1987	11.6	6.5	6.82	8.38	3.12	9.1	10.3	4.15	4.21	0.55
1988	4.3	5.4	7.65	8.84	3.61	7.8	11.0	4.42	4.27	0.54
1989	0.9	3.6	8.99	8.49	3.43	4.5	10.0	5.31	5.11	0.48
1990	3.7	5.2	8.06	8.55	3.60	3.2	11.5	7.62	7.27	0.65
3rd qtr.1990	4.6	5.2	7.94	8.74	3.62	3.3	12.3	7.85	7.96	0.69
4th qtr.1990	4.2	3.8	7.89	8.31	3.86	5.1	9.3	8.19	7.16	0.80
1st qtr.1991	4.4	3.1	6.69	8.01	3.48	1.5	6.0	7.98	6.54	0.75
2nd qtr.1991	5.2	3.4	6.03	8.12	3.18	3.4	3.3	7.70	6.71	0.71
September 1990	5.1	5.0	7.96	8.89	3.86	2.4	13.2	8.24	8.04	0.77
October	4.2	4.5	7.98	8.72	3.96	3.9	10.9	8.18	7.66	0.80
November	4.4	3.8	7.90	8.39	3.88	7.1	9.6	8.22	7.35	0.82
December	4.0	3.3	7.80	8.05	3.74	4.4	7.5	8.17	6.79	0.80
January 1991	3.9	3.0	7.11	8.07	3.79	1.8	6.0	8.07	6.59	0.80
February	4.4	3.1	6.50	7.84	3.37	0.6	5.2	7.89	6.39	0.74
March	4.8	3.3	6.40	8.10	3.25	2.0	6.9	7.91	6.63	0.70
April	4.3	3.2	6.08	8.03	3.17	−1.4	2.1	7.75	6.69	0.70
May	5.5	3.5	5.92	8.07	3.20	5.6	4.1	7.72	6.64	0.71
June	5.8	3.4	6.10	8.27	3.17	6.2	3.6	7.63	6.73	0.72
July	6.0	2.9	6.05	8.28	3.14			7.45	6.67	0.75
August	6.1	2.5	5.72	7.85	3.07			7.21	6.46	0.77

	GERMANY Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield	FRANCE Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1984	3.3	3.8	5.99	7.96	n.a.	9.7	11.0	11.77	13.33	n.a.
1985	4.4	5.1	5.45	7.09	n.a.	6.2	7.4	10.03	11.74	n.a.
1986	9.9	8.3	4.63	6.19	1.79	6.9	6.8	7.79	8.74	2.65
1987	9.0	7.3	4.03	6.33	2.21	4.1	9.8	8.26	9.59	2.75
1988	9.8	6.4	4.33	6.58	2.61	3.8	8.5	7.94	9.02	3.69
1989	6.3	5.7	7.12	7.02	2.22	8.1	9.5	9.39	8.79	2.88
1990	4.5	4.5	8.49	8.63	2.11	3.6	9.2	10.32	9.87	3.19
3rd qtr.1990	4.7	4.2	8.39	8.68	2.14	3.8	7.9	10.19	9.94	3.36
4th qtr.1990	6.3	5.4	8.90	8.92	2.51	3.6	9.2	10.11	10.07	3.77
1st qtr.1991	6.3	5.5	9.17	8.43	2.51	0.7	7.6	9.85	9.30	3.64
2nd qtr.1991	5.0	5.5	9.11	8.28	2.25	−0.5	5.8	9.43	8.95	3.48
September 1990	5.1	4.7	8.47	8.66	2.41	3.6	7.9	10.35	10.44	3.73
October	5.8	5.2	8.60	8.72	2.50	0.8	7.5	10.04	10.36	3.75
November	6.0	5.6	8.88	8.68	2.54	0.6	7.7	10.00	10.16	3.78
December	7.0	5.3	9.21	8.69	2.50	3.6	9.2	10.29	9.89	3.79
January 1991	6.6	5.2	9.35	8.74	2.67	−0.4	7.5	10.28	9.75	3.93
February	5.6	5.4	9.08	8.25	2.45	1.3	7.9	9.79	9.11	3.62
March	6.6	5.7	9.09	8.28	2.38	0.7	7.6	9.43	9.04	3.36
April	4.5	5.5	9.18	8.20	2.30	2.2	7.5	9.34	8.88	3.46
May	5.3	5.7	9.08	8.30	2.25	0.6	6.8	9.24	8.66	3.44
June	5.1	5.4	9.06	8.35	2.18	−0.5	5.8	9.72	9.11	3.53
July	5.8	5.8	9.15	8.59	2.29	−1.4	5.3	9.59	9.16	3.69
August			9.31	8.54	2.32			9.58	9.09	3.62

	ITALY Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	UNITED KINGDOM Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1984	12.5	12.4	16.11	15.60	n.a.	5.5	12.9	10.03	11.33	n.a.
1985	13.7	14.0	14.34	13.71	n.a.	4.7	13.2	12.32	11.03	n.a.
1986	10.4	9.0	13.25	11.47	1.41	4.0	15.3	11.02	9.97	4.35
1987	10.5	11.0	11.32	10.58	1.94	4.7	14.6	9.77	9.52	3.80
1988	7.5	8.1	11.24	10.54	2.71	6.7	17.0	10.41	9.69	4.48
1989	8.1	10.1	12.41	11.61	2.46	5.9	17.8	13.96	10.30	4.36
1990	9.0	9.6	11.98	11.87	2.84	5.3	16.2	14.82	11.65	5.07
3rd qtr.1990	8.0	8.8	11.25	11.85	2.81	4.9	15.5	15.00	11.78	5.21
4th qtr.1990	8.5	10.0	11.80	11.74	3.55	3.3	13.6	13.89	10.95	5.56
1st qtr.1991	7.6	9.2	12.37	11.86	3.69	2.9	10.6	13.30	10.30	5.22
2nd qtr.1991			11.51	12.87	3.21	1.7	9.1	11.64	10.34	4.84
1990 September	9.0	9.6	10.76	11.60	3.14	4.5	14.7	14.97	11.91	5.61
October	9.2	10.0	10.98	11.58	3.36	3.9	14.2	14.07	11.56	5.61
November	8.7	10.2	11.93	11.69	3.67	3.2	14.3	13.70	11.25	5.61
December	7.9	9.9	12.59	11.96	3.65	2.7	12.3	13.87	10.77	5.44
1991 January	6.6	8.4	12.48	12.04	3.96	3.4	11.2	14.02	10.53	5.60
February	7.5	9.2	12.45	11.90	3.64	2.8	10.8	13.32	10.12	5.19
March	8.7	9.8	12.17	11.64	3.43	2.6	9.8	12.49	10.25	4.82
April	6.8	9.1	11.74	13.07	3.36	1.6	9.9	12.02	10.17	4.74
May	8.1	9.8	11.39	12.82	3.24	1.6	9.6	11.59	10.32	4.85
June			11.40	12.72	3.02	2.0	7.9	11.30	10.53	4.98
July			11.54		3.24	2.0	7.8	11.14	10.25	4.91
August			11.69		3.31	1.6	7.2	10.94	10.00	4.76

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. **Short-term interest rates:** period averages of: US – 90 day commercial paper, Japan – 3 month certificates of deposit, Germany – 3 month Fibor, France – 3 month Pibor, Italy – 3 month Euro-Lira, UK – 3 month Libor. Source: Datastream. **Long-term interest rates:** period average yields on long-term benchmark government bonds Source: Atlas/TFN. **Equity market yield:** period averages of the gross dividend yield on the relevant FT-A world index.



Source: Datastream

UK and Canada: similar problem, different solution

"It is already clear that the current recession, which led the downturn in the United States, is among the severest in post-war history and likely to be eclipsed only by that of 1981-82."

This quote, from the first chapter of the latest OECD economic survey of Canada, could equally have applied to Britain, save that the last UK recession began in 1980. Both Britain and Canada have suffered from similar economic problems and policy failures in the 1980s. But they are taking different routes, in order to avoid making the same mistakes again.

Both countries suffered a sharp recession in the early 1980s which reduced annual rates of inflation to single figures but at the cost of historically high and persistent unemployment. Yet from 1986 the combination of loose monetary policy and financial deregulation led to booms driven by consumption and investment in residential housing. These moved their current accounts from surpluses into large deficits, while fuelling inflation.

A similar policy response was provoked. *Both countries relied on high* interest rates to curb price inflation and are now emerging from deep recessions, with consumers and companies still burdened by debts.

The prevailing wisdom on both sides of the Atlantic is that some form of independent anchor for monetary policy is needed to neutralise the inflationary tendencies to which both economies appear prone. The policy failures of the 1980s arose, in part, because both countries replaced unpredictable monetary aggregates as the policy target by informal exchange rate targets.

By joining the European exchange rate mechanism, the UK has hardened the exchange rate as the target of monetary policy, effectively tying Britain's interest and inflation rates to those of Germany. Canada, by contrast, has decided to keep a floating exchange rate. The government and the Bank of Canada have, instead, announced consumer price inflation targets jointly: 3 per cent by the end of 1992, falling to 2 per cent by the end of 1995. The credibility of this commitment has yet to be tested. But the long-term *interest rate in Canada remains over 2* percentage points higher than in the US.

Canada did not have the option to tie its monetary policy to that of the Bundesbank. A permanently fixed exchange rate is only advisable, in the long-run, *between economies that are sufficiently* integrated. Specifically, they must be affected similarly by economic shocks, such as oil price rises; and labour and other factors of production must flow freely between them. If these two conditions are not met then relative prices between the economies may become quickly out of line, while re-adjustment will be long and painful. Conversely, if they are fully met, then there is little point in maintaining separate currencies, as any change in the exchange rate would be immediately offset, leaving relative prices unchanged.

By these criteria the case for a fixed exchange rate between the US and Canada is strong. The US Federal Reserve is more independent than the Bank of Canada; and US inflation has, on average, been lower than that of Canada over the past 40 years. Moreover the Canadian and US economies have historically been more integrated than the UK and its European neighbours. Recessions in Canada and the US have tended to occur simultaneously. Seventy per cent of Canadian trade is conducted with the US, compared to 53 per cent between the UK and the EC. The Free Trade Agreement between the US and Canada is likely to increase this inter-dependence.

Maintaining a separate Canadian currency imposes costs on the Canadian economy, both transaction costs and high interest rates. The long-term interest differential between the UK and Germany, though falling, reflects the UK's poor inflation performance. But the Canada-US differential, now rising, was positive even when Canadian inflation was lower than in the US.

The economic case for a North American currency area is strong. But politics matter too. Britain's ERM membership reflects a desire to appear good Europeans. But many Canadians are worried that they are becoming Americans, good or not; some do not even want to be good Canadians.

Edward Balls

Bank has 'headroom' for loans to E Europe

By Michael Prowse in Washington

THE WORLD BANK'S support for economic reform in eastern Europe and the Soviet Union will not involve a diversion of resources from its clients in the Third World. Mr Lewis Preston, the bank's new president, said at a briefing to launch this year's annual report.

He said the bank could expand its overall lending because past capital increases had left "significant headroom". The bank's statutory lending limit is $152.3bn (£90bn), nearly $62bn higher than outstanding loans of $90.6bn. Lending to eastern Europe rose by just over $1bn to $2.9bn in fiscal 1991.

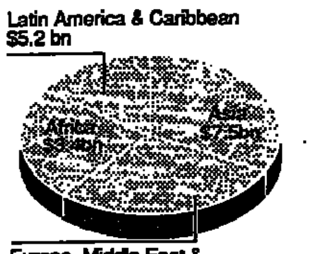
Mr Preston said the bank's strategy towards economic reform in the Soviet Union had to be "reactive" because it was impossible to predict how powers would be shared and what help would be required.

He said the bank had become "too presidential and hierarchical". A streamlining of top management announced last week was intended to "energise and motivate" staff. He was eliminating the senior vice-president layer of management in order to give full operational responsibility to vice-presidents heading regional offices.

Mr Preston, a former chairman of J P Morgan, the New York bank, said his management philosophy was to give staff "all the responsibility they can take, with sensible controls, and hold them accountable".

World Bank/ IDA lending by region

1991 fiscal year total $22.7bn



The bank expects to lend a total of $23bn-$25bn in fiscal 1992, which began on July 1. This compares with total commitments of $22.7bn last fiscal year. Figures for new commitments, however, greatly overstate the bank's net contribution to development because many old loans are maturing. Net disbursements by the International Bank for Reconstruction (IBRD) – the main division of the bank – were only $2.1bn last year compared with $5.7bn in fiscal 1990. Net disbursements by the International Development Association (IDA) – the unit that makes soft loans to the poorest countries – were $4.3bn compared with $3.6bn the previous year. Allowing for repayment of interest, net transfers by IBRD were minus $5.6bn last year, only partially offset by positive net transfers by IDA.

Bank officials argue that the bank's overall performance must be judged not just on its lending but on its success in providing advice and technical assistance.

The report indicates that the bank is laying greater emphasis on developing human resources – a theme of this year's World Development Report. Gross lending for education was $2.2bn in fiscal 1991, having topped $1bn for the first time in fiscal 1990. Lending for population, health and nutrition was $1.57bn, having averaged $300m a year in the mid-1980s. Staff figures indicate a growing emphasis on the environment. The bank's environment department has 106 professionals and 34 support staff compared with a handful a few years ago.

The report shows the bank's financial position remains strong. The ratio of reserves to loans rose to 11.2 per cent from 10.8 per cent. Net income rose 14 per cent to $1.2bn.

Saddam calls high-profile meeting of defence chiefs

PRESIDENT Saddam Hussein, facing renewed threats of US military action to enforce full Iraqi co-operation with United Nation weapons inspectors, convened a high-profile meeting of his defence and military chiefs, Reuter reports.

But Iraq's state-run newspapers, which yesterday published front-page photographs of the Saturday meeting, did not say what had been discussed or decided.

No reports accompanied the pictures, which showed Mr Saddam with senior government and army officials.

The meeting came three days after the US threatened to use force if Iraq did not fully facilitate the work of UN teams supervising the scrapping of its weapons of mass destruction under the terms of the Gulf war ceasefire, which say it must declare and destroy them all.

Baghdad and the UN have been locked in a row for the past two weeks over the use of three helicopters, stationed in neighbouring Turkey, on loan to the UN from Germany.

Mr Ahmed Hussein al-Samarael, the foreign minister, told Jordan television on Saturday that Iraq was co-operating with the UN teams but said unrestricted UN use of helicopters posed a threat to Iraqi security.

PLO dilemma: profile or peace

Tony Walker and Lamis Andoni on the Palestinians' Algiers agenda

WHEN Mr Yassir Arafat, the Palestine Liberation Organisation chairman, convenes a session of the Palestinian "parliament", due to open today in Algiers, the atmosphere is likely to be even more subdued than at the last such gathering, almost three years ago in the Algerian capital.

Members of the Palestine National Council (PNC) will discuss the critical issue of Palestinian participation in the proposed US-Soviet sponsored Middle East peace summit.

At their last meeting, which led to the proclamation of an independent Palestinian state, members set in motion a process that would lead to recognition by the PLO of Israel's right to exist within its pre 1967-war frontiers. By recognising pre-1967 Israel they were effectively forswearing their claim to three-quarters of the land they called Palestine.

Mr Arafat believed that such a gesture would gain for the PLO the international recognition it had long craved.

Three years and one Middle East war later, the Palestinian movement and its leader are more isolated, more bereft of friends, than at any other time since the PLO's foundation in 1964, due partly to the organisation's support of Iraq in the Gulf crisis.

Even so, world attention will be focused this week on the conference centre where Mr Arafat will lead debate on the issue of the peace summit. Debate will be fierce and there will be those on the PLO's radical wing – such as Mr George Habash and Mr Nayef Hawatmeh, leaders respectively of the Popular Front and Democratic Front for the Liberation of Palestine – who are likely to argue against Palestinian participation on the terms offered by Mr James Baker, US secretary of state.

They will be countered by pragmatists from Mr Arafat's mainstream Fatah faction, who believe that current US peace efforts offer what may prove to be the last chance for many years of a genuine attempt to solve the Arab-Israel problem.

The acute dilemma for Mr Arafat and fellow historic leaders of the PLO is whether, by supporting representation at a peace conference by Palestinians who are not members of PLO institutions (Israel rejects any dealings with the PLO), the organisation may be signing its "death warrant", in the words of one senior PLO official.

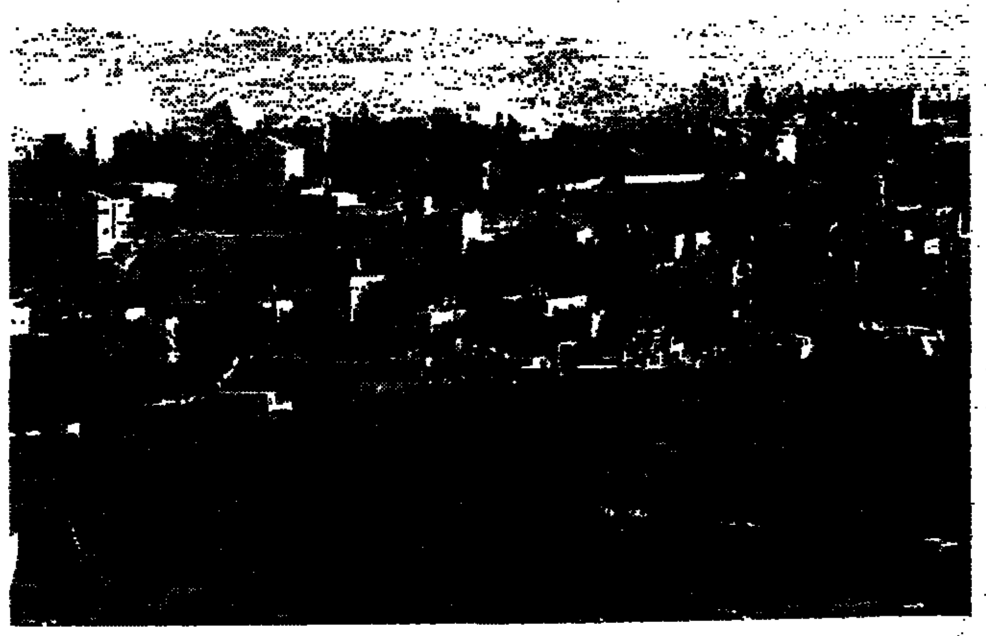
Readthrough:Mr Yevgeny Primakov, Soviet envoy to the Middle East, described at the weekend the prospects for a conference as "uncertain". He criticised Israel, which he said had not altered its position despite pressure from the US. The Palestinian position was "more flexible and more inclined to taking part in the conference," he added.

The question for many Palestinians, however, is not so much whether the organisation to which they have pledged allegiance will survive, but whether the latest US peace effort does offer a realistic chance of a settlement on less than humiliating terms.

The PNC is likely to re-state Palestinian principles laid down at the last session in Algiers in 1988. These call for Israeli withdrawal from Arab land, self-determination for the Palestinians and acknowledgement of Jerusalem as the capital of a future Palestinian state.

The gathering would then leave it up to the PLO's executive committee, in effect its cabinet, to decide whether to agree to Mr Baker's terms for the participation of Palestinians from inside the occupied territories as representatives of the national movement.

For Mr Arafat, who is used to being centre-stage, it would not be an easy decision to stand aside while a peace conference went forward.



Planned Jewish settlement site: Palestinian neighbourhood of Wadi Joz, East Jerusalem

Israel suspicious of US tactics

US PROPOSALS to settle a bitter dispute between Israel and the Bush administration over financial assistance for Soviet Jewish immigration do not go far enough, a government official close to Mr Yitzhak Shamir, the Israeli prime minister, said yesterday, writes Hugh Carnegy from Jerusalem.

The official, who requested anonymity, said Israel could live with the delay of 120 days President George Bush has demanded before the request for US loan guarantees to back borrowing of $10bn (£5.9bn) is considered by Congress.

But he said statements from US officials suggesting the guarantees would still be linked to Israeli policy on the peace process, such as agreement to freeze Jewish settlements in the occupied territories, had made the government suspicious of US intentions.

The official said a six-point compromise package proposed last week by Mr James Baker, US secretary of state, including a commitment not to delay the loans beyond next January after a planned Middle East peace conference has taken place, was not sufficient. The official explained: "What we want is to be assured that in January when the issue will be again discussed there will not be more conditions."

He said Israel wanted to be sure that the full $10bn would be supported by the administration, which has so far carefully avoided any commitment to a figure.

Pakistan wins IMF support

PAKISTAN won International Monetary Fund support for its economic policies over the weekend, with an agreement for the release of $140m (£83m) under a structural adjustment facility (SAF) programme, writes Farhan Bokhari from Islamabad.

This is the last tranche under a three-year SAF agreement worth $604m signed in November 1988. The tranche was withheld last summer when Pakistan failed to bring its fiscal deficit down to 4.8 per cent of its GDP. The new agreement still needs to be ratified by IMF's board of directors, expected to be a formality.

Hong Kong reformists snubbed in appointments to council

THE governor of Hong Kong, Sir David Wilson, has largely ignored the calls of the colony's recently elected pro-democracy groups in his appointments to the Legislative Council, writes Angus Foster in Hong Kong.

He named 17 people to the 60-seat council on Saturday. Most are professionals and businessmen seen as favouring stability rather than faster democratisation. The appointments also mean the pro-democracy group led by the United Democrats of Hong Kong, which won 15 of 18 directly elected seats last week, remains in opposition.

Mr Martin Lee, UD leader, called the appointments "disappointing". His party had given the governor 20 names for consideration, but Mr Lee said Sir David accepted only one of his recommendations.

Several leading Hong Kong politicians were reappointed to the council. But Mr Lee said that, as in the past, these would side with the government on controversial matters.

However, Ms Maria Tam, a prominent lawyer and politician, was not re-appointed, after the Liberal Democratic Foundation, a pro-business political party she founded, failed to win a seat in the direct elections.

The decision not to reappoint Ms Tam led to speculation about her position on the executive council, Hong Kong's main decisive body. The UD is now likely to shift its campaign for a greater role in governing Hong Kong to the executive council appointments.

Among the new legislators are Mr Vincent Cheng, a senior manager at the Hongkong Bank, Mr Henry Tang, an industrialist, and Mr Steven Poon, general manager of China Light and Power.

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APPOINTMENTS

Unichem finance chief promoted

■ UNICHEM, the national pharmaceutical wholesaler, has appointed Mr Jeff Harris as deputy chief executive. Mr Harris joined Unichem in 1985 as group chief accountant, and became finance director in 1986.

■ Mr J.C. Moloney *(pictured)* has been appointed chairman of IAWS GROUP, the food and agribusiness group, after the retirement of Mr P.L Meagher. Mr Moloney was formerly deputy chairman and he is also a director of Irish Nationwide Building Society.

■ Following Ferranti Ltd's purchase of graphics software house VISUAL BUSINESS SYSTEMS of Slough, Mr Peter Elsworth, former managing director of Micro Technology Ltd and Sintrom Electronics, has been brought in as VBS group managing director.

Mr Ed Jelen, the former UK managing director, becomes chairman and chief executive officer of the US subsidiary in *Atlanta, Georgia*.

■ WOLINSKI & CO. consulting actuaries, has admitted a new partner, Mr John Ferguson, formerly with the Wyatt company, who will manage the newly-opened Cambridge office.

■ CONOCO Inc. has appointed Mr Gary W. Edwards, chairman of Conoco UK Ltd and vice-president of refining and marketing Europe, and Mr Robert E. McKee, former chairman and managing director of Conoco UK Ltd, to senior positions in Houston, in the United States.

Mr Edwards has been made executive vice-president, refining, marketing, supply and transportation; Mr McKee becomes senior vice-president, administration. Mr Edwards joins Mr McKee as a senior vice-president of Du Pont, Conoco's parent company.

■ NUFFIELD HOSPITALS, the UK's second largest independent hospital group, has appointed Mr Mike Eastwood as national marketing manager. Mr Eastwood was previously retail marketing manager for Scottish Brewers Retail.

■ UNIDARE has appointed Mr Peter Gray as finance director from November. Mr Gray has been finance director of Food Industries since 1989.

■ SOTRALENTZ (UK) Ltd, plastics packaging subsidiary of French group Sotralentz SA, has appointed Mr Patrick Marion as managing director.

CONTRACTS

Cardiff offices

NORWEST HOLST has won new contracts with a total value of more than £24m. The largest is a £15m scheme for Regalian Properties, working on a new seven-floor office building in Cardiff.

The new building, Imperial Gate, will contain 120,000 sq ft of office space for business use, together with underground parking for 55 cars. The design, by architects David Preece Associates, includes a large entrance atrium and marble and granite finishes.

Under a £4.2m contract at Glasgow University, the company is carrying out a comprehensive refurbishment for the Physics and Astronomy Department, together with the construction of a new four-storey teaching block. The project will include alterations and restructuring to existing facilities at the Grade B listed building. A further contract at the university, worth £760,000, involves the fitting-out of three floors of laboratory/offices for the BioTechnology Facility.

For Strathclyde Regional Council, Ayrshire, Norwest Holst is undertaking a £3.1m contract to construct a 1.35km length of 2m diameter finished internal sewer, under Phase II of the Greenock Valley Sewer. In Edinburgh, the company has a £900,000 contract for 500m of 1.2m diameter sewer on behalf of Lothian Regional Council.

Mowlem unit wins £17m of work in south-west

E THOMAS CONSTRUCTION, the west country division of John Mowlem Construction, has won more than £17m of new work in the region.

The company says that the new orders more than double its share of the market in Devon, Somerset and west Dorset.

The largest contract, worth £4.5m, is being undertaken in conjunction with Mowlem Engineering, and is for the design and construction of sewage treatment facilities for South West Water in the Bude, Cornwall, area.

The project, scheduled for completion by spring 1992, includes sewage treatment works at Helebridge, two pumping stations – one at Helebridge and one at Bude – and the laying of the pumping main from Bude town to the works and return to the sea outfall.

At Penzance, E Thomas has won a £3.1m contract from the Cornwall and Isles of Scilly Health Authority for a new ward block, X-ray room and mortuary with associated works.

Other west country contracts include a £2.2m sewage treatment works for South West Water Services, to deal with flows from the Teign estuary area, and a £1.5m contract for a country club and leisure centre at Padbrook Farm, Cullompton, near Exeter.

Avon road

M J GLEESON GROUP has been awarded a £10m contract for Stage 4a of the Avon ring road, a 3km section of dual carriageway between Marsham Way and the A4 Bath Road.

Work on the 100-week contract, from Avon County Council, is due to start next month.

Nursing home

LAING NORTH WEST has won a £2.9m contract from Tameside Enterprises for the design and construction of special care facilities for the elderly at Hyde Hospital, Manchester.

The contract calls for a 100-bed nursing home with communal areas, shop and visitor accommodation. Completion is scheduled for February 1994.

Ghana highway

TAYLOR WOODROW has begun a £30m road construction contract in Ghana.

The project, which also involves Taysec Construction, Taylor Woodrow's associate company, is part of a continuing programme to upgrade Ghana's north-south highway, which links the southern ports with the the north of the country and its landlocked neighbours, Mali and Burkina Faso.

UK NEWS

Thief-proofing cars is no joyride, makers discover

John Griffiths on how the industry is responding to calls to improve vehicle security in the wake of an upsurge in thefts

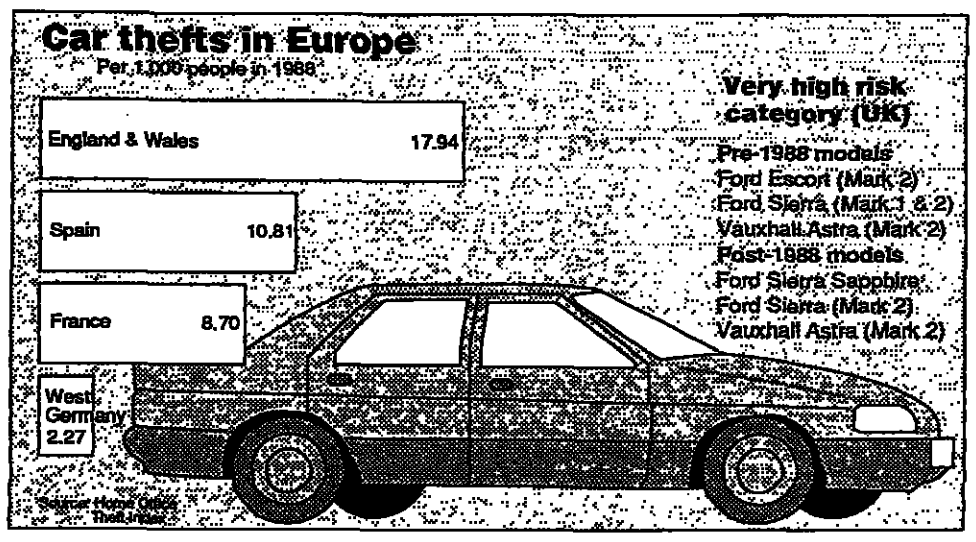
MR Kenneth Baker, the home secretary, is to hold talks with UK car manufacturers today at which he is expected to tell them that they are not doing enough to prevent the vehicles they produce from being stolen by thieves and joyriders.

The talks are to take place against the background of mounting concern about the recent spate of deaths and injuries caused by youths driving recklessly in stolen cars, which has coincided with an upsurge in "professional" car theft.

For the vehicle makers, a new measure of urgency was injected into the issue last week when one of the industry's biggest collective customers, the British Vehicle Rental and Leasing Association (BVRLA), representing companies that buy more than 500,000 new cars annually, accused them of making "little progress" towards a thief-proof car.

Mr Roger Macey, the BVRLA's chairman, commented: "As we have seen all too clearly in recent weeks, the theft of cars has become a blight on our society and is the major cause of the continued escalation in crime rate figures."

He was backed up by Mr Freddie Aldous, the BVRLA's vice-chairman, who is also chairman of Swan National, the TSB-owned vehicle leasing and rental group. "Manufacturers have a clear social responsibility to ensure that cars, vans and trucks are made as difficult as possible to be used illegally, and action cannot be delayed any longer."



Home Office statistics show that a car is stolen every two minutes, day and night.

A car theft index introduced by the Home Office during National Crime Prevention Week earlier this year showed that some high-performance cars were up to 10 times more likely to be stolen than other cars. Presenting the index, Mr Baker also announced the results of a survey disclosing that 75 per cent of motorists questioned would be prepared to pay up to £100 for improved security fitments to a car. The insurance organisations estimate that motor-related crime is costing more than £1bn annually.

This week's meeting is also likely to include discussions on a UK initiative for the EC to draw up security standards for cars, to be applied to all new models produced within the EC. Such measures would include the mandatory fitting of deadlocks and the etching of vehicle identification marks on to window glass.

The Home Office index showed that theft was dramatically reduced where manufacturers – a minority – had themselves already adopted such measures.

The Home Office's theft index showed that five of the seven cars in the "very high risk" category – where 15 per cent of the total were stolen – were high-performance Fords. Low-risk cars, involving fewer than 1 per cent being stolen, ranged from Mercedes to Ford's Anglia, last produced in the 1970s.

The increase looks likely to have a growing impact on the financial burden both businesses and private motorists will have to bear in the form of increased insurance premiums.

The number of cars stolen in the first six months of this year has increased by more than third compared with a year ago, according Commercial Union, to the insurance group, resulting in a 68 per cent increase in the cost of pay-outs.

Nearly 1m motorists insured by Norwich Union face being made to pay the first £100 towards claims made after next month if they do not keep their vehicles in a locked garage.

The Institute of Insurance Brokers is also supporting the principles behind a policy underwritten by Dominion Insurance, the terms of which provide for no pay-out if it is established that a stolen car had been left unlocked.

Not surprisingly, some manufacturers who have taken initiatives to improve security feel that they are being excessively pilloried, given the findings of a survey by the Automobile Association. It found that 70 per cent of surveyed cars had no alarm fitted, 20 per cent had valuables on view and 10 per cent had been left unlocked.

Seeking to improve the picture, the BVRLA in 1988 instituted an annual anti-theft award. Vauxhall won in 1988, 1989 and this year. No award was made in 1990 because the BVRLA felt that no manufacturers had made any significant advances. Vauxhall stands out, according to Mr Aldous, "because it is the first volume manufacturer to look seriously at car security."

Ford, the UK market leader and whose cars have proved the most attractive, in volume terms, to thieves and joyriders, has stepped up its anti-theft programmes, with factory-fitted alarms now standard on Scorpios, Granadas, Sierras and Orions.

All manufacturers, however, say they doubt whether it will ever be possible to come up with a foolproof anti-theft system, faced with professional thieves who steal cars to order. High technology may eventually provide an answer. Securicor, for example, employs a system using a tracking unit aboard a vehicle, allowing a central control to establish where the vehicle is at any time. Car manufacturers and police forces have begun to examine similar systems as a theft-prevention measure.

Not quite so futuristic is the Invisibeam system produced by Gamma Electronics, which detects the presence of a possible thief lingering near the car and issues a warning via voice synthesiser. If the presumed thief is undeterred, the next warning is that the alarm is about to go off, followed by a countdown.

Vauxhall executives, in particular, are unlikely to take a tongue-lashing from Mr Baker lying down. They are likely to argue that a considerable obligation rests on the government and public to take measures within their own respective powers to curb thieves and joyriders.

A basic obstacle, Vauxhall said at the weekend, is that those outside the industry cannot believe that it is beyond the ingenuity of manufacturers to devise a foolproof system, and suspect instead that the industry is simply not prepared to spend enough money on doing it. Vauxhall comments: "Everything that has been come up with so far, thieves have found an answer to."

Stimulus for capital goods expected

By Philip Coggan, Personal Finance Editor

CAPITAL goods companies will benefit more from the coming recovery than consumer-related industries because of their ability to reduce labour costs, according to a report from UBS Phillips & Drew.

Consumer groups have tended to lead the economy out of recession, with growth in capital-goods expenditure following later.

The report argues that, with growth of less than 1 per cent expected, recovery in 1992 will be mild, corporate profits may rise substantially. That is because job losses, linked to pay deal moderation, will reduce unit labour cost inflation – and thus provide stimulus to profit margins.

The report says that companies with the highest ratio of labour costs to trading profits will benefit most. Among capital goods companies, which produce equipment sold to the corporate sector, those with the greatest potential to improve profits are electronics and engineering. The least such potential is in the motor and building sectors.

Baker defends ITV tendering

By Raymond Snoddy

MR KENNETH BAKER, the home secretary, is prepared to consider practical suggestions that might improve the workings of the commercial broadcasting industry after the competitive tendering process for ITV licences is completed.

At the convention of the Royal Television Society in Cambridge, the home secretary mounted a robust defence of the competitive tendering system.

Mr Baker said the process had produced leaner and more efficient television companies without any loss of quality on the screen.

The process will lead several ITV companies to lose their franchises, and to an increase of up to £300m a year in revenue for the Treasury from the ITV system.

Once the winners and losers are announced in the second half of next month, the home secretary will consider whether any loose ends have been left. It is not yet clear whether the government would take seriously any changes that would require legislation.

Mr David Glencross, chief executive of the Independent Television Commission (ITC), made clear at Cambridge that he would be approaching the government with "a shopping list" after the new 10-year licences were awarded.

At the top of the list would be the government's insistence in the 1990 Broadcasting Act that Independent Television News (ITN) must sell a majority stake to outside investors by 1994.

The ITC accepts that outside investors would be a good idea for ITN, but does not believe they should have control.

"We believe that ITN should be controlled by the people who are its principal customers", Mr Glencross said. Those principal customers are the ITV companies that now own 100 per cent of ITN.

Earlier, Mr Glencross said that "it would be fruitful to engage in discussions with the government" on the issue.

The real worry of the ITV companies is that there might be a conflict of interest between broadcasting and non-broadcasting shareholders on the cost of covering expensive events, such as the Gulf war. They fear that companies seeking return on their investment might overrule the news judgments and needs of broadcasters.

An amendment to the broadcasting act would be required to enable broadcasters to retain control of ITN.

Also at Cambridge, Mr Michael Checkland, director-general of the BBC, spelled out his personal vision for the corporation in the period before negotiations over the renewal of its Royal Charter, which runs out in 1996.

Mr Checkland said the BBC would test the efficiency of its services against the best practices in the outside market. He was determined that the BBC should not become marginalised and that "universality" – ensuring a service available to the entire population – would endure.

The debate on the future of the BBC should first concentrate on what the corporation's purpose should be and what programme services were required before addressing how they should be funded, Mr Checkland argued.

Lord Young, the former trade and industry secretary, attacked Radio 3 as an indulgence that should be abolished, and said the licence fee should be cut to £50 by the end of the century.

Cost cuts of up to 30% seen at BNFL

By Juliet Sychrava

BRITISH Nuclear Fuels (BNFL) will have to cut costs by between 20 per cent and 30 per cent if it is to avoid losing money on the new contract signed with Nuclear Electric, the state-owned nuclear company, earlier this month.

Mr Gregg Butler, who will head BNFL's UK division from October, and is at present head of the company's reprocessing and reactor group, believes the £13bn contract for supplying Nuclear Electric with fuel and reprocessing spent fuel, is fair and will allow the company to stay in business, provided it improves efficiency and makes savings on materials and manpower.

"It will give us a satisfactory profit," he said. "But how satisfactory it is is up to us. For the first time in our history, we could make a negative return. So we have a powerful incentive not to do so."

BNFL, which has reprocessing contracts overseas, notably with Japan and Germany, still relies primarily on contracts with Nuclear Electric.

They were previously structured on a "cost-plus" basis, where BNFL calculated its costs and added a margin.

The new contract, backdated to April 1989, is on a fixed-price basis, but Mr Butler is confident that BNFL can still make a profit.

He said: "If you had showed me this deal in 1989, I would have been dissatisfied. Now I'm happy – not ecstatic, but comfortable."

One of BNFL's main challenges in the future will be coping with the loss of business when Nuclear Electric is forced to close its older Magnox reactors, which is due to happen within 10 years.

"Even with Thorp [the company's £1.85bn reprocessing plant due on stream at Sellafield in Cumbria next year] fully on line, we will have lost over half our business," said Mr Butler.

Of the company's £124m post-tax profit in 1990, nearly a a third of that was made from the sale and reprocessing of fuel for Nuclear Electric's older Magnox stations.

Even so, Mr Butler firmly rejects claims made by Sussex University's Science Policy Research Unit that Thorp, which will reprocess fuel from advanced gas-pressure reactors, would not be economic.

He believes it is unrealistic to criticise BNFL for not having signed up a full complement of reprocessing contracts for the second 10 years of Thorp's operation.

"No other industrial plant in Europe has even the first 10 years of its order book signed up," he stressed.

UK NEWS

Labour mood buoyed by swing in polls

By Ivo Dawnay, Political Correspondent

LABOUR will today step up its attacks on the government's record on domestic issues, strongly buoyed by a new opinion-poll lead and the prospect of more troubles for the Tories in winter by-elections.

Its pre-conference onslaught started yesterday with claims that rising unemployment, business failures and repossessions of mortgaged homes should encourage the government to seek an early election rather than risk a spring poll.

That message was hammered home by senior Labour spokesmen yesterday after a Mori opinion survey in The Sunday Times showed the party 4 points ahead on 43 per cent, the Tories on 39 per cent and the Liberal Democrats on 14 per cent.

The poll – reversing a Tory lead of up to 5 points a week ago – is the first this month to show Labour ahead, leading party officials to conclude that the "halo effect" from Mr John Major's diplomacy earlier in the month has evaporated.

Speaking in a BBC radio interview, Mr Jack Cunningham, Labour's campaign co-ordinator, said the poll findings vindicated the leadership of Mr Neil Kinnock, who has recently suffered ferocious criticism in the Tory tabloid press.

He said: "It demonstrates that when the people of Britain are confronted with the realities of the domestic political agenda . . . then Labour's appeal is very strong."

That analysis was firmly rejected by Mr David Mellor, the Treasury chief secretary.

Neil Kinnock: Labour strategists said yesterday that his leadership had been vindicated by the latest poll findings

He said a revival in confidence in the economy and lower inflation meant that the Conservatives' position would strengthen in the weeks ahead.

With a November poll all but ruled out by both parties, the Tories are faced with the prospect of three potentially damaging by-elections in the coming months. The death at the weekend of Mr Richard Holt means that a by-election must be held in the highly marginal Langbaugh constituency in Cleveland, where the Conservative lead over Labour is just 2,088.

To that must be added pending by-elections in Kincardine and Deeside, a seat that would fall to the Liberal Democrats on a 4.3 per cent swing, and another in Labour's Yorkshire stronghold of Hemsworth.

● Mr Keith Vaz, the Labour MP campaigning for depositors and staff of the scandal-hit Bank of Commerce and Credit International, said last night that Lord Justice Bingham had indicated that his inquiry into the bank's shutdown will not be completed until after Easter next year, possibly after the forthcoming election.

Sillars voted SNP deputy leader

By James Buxton, Scottish Correspondent

THE Scottish National party ended its annual conference at the weekend after electing Mr Jim Sillars, MP for Glasgow Govan, as its deputy leader.

Although both Mr Sillars and the party leader, insisted that they formed a united front, the election of Mr Sillars may cause difficulties for Mr Salmond.

The Inverness conference, which many party delegates felt was one of its most successful in recent years, proclaimed the slogan "Scotland Free by '93" – an attempt to match in Scotland the sudden winning of independence by the Baltic states.

The party also adopted new policies, including the renationalisation of the electricity, gas and transport industries, a move to the left intended to attract Labour voters.

Mr Salmond is soon to announce the party's first shadow cabinet in an effort to present the SNP as a potential party of government rather than of protest.

Mr Sillars' decision in July to stand for the deputy leadership against the incumbent, Mr Alasdair Morgan, whom he defeated by 279 votes to 184, was apparently conceived partly out of frustration at the party's performance under Mr Salmond.

Since then, new initiatives in presentation and policy, in which Mr Sillars and his allies have played an important part, have put a new spring in the step of the party, which was reflected in the mood of the conference. It stands at 19 per cent in the Scottish opinion polls.

● Mr Ian Lang, Scottish secretary, accused the SNP of offering Scots a "programme for national humiliation". Having failed with "pure nationalism", they were offering "a cocktail of nationalism heavily laced wih socialism, and topped up with dependence on Europe". In a dig at former Bond star Sean Connery, who has made a broadcast for the SNP, he said: "Such a cocktail would leave Scotland badly shaken and stirred."

Jobless rise forecast to cost £21bn

By Rachel Johnson, Economics Staff

UNEMPLOYMENT'S rise to 2.5m people this year will cost the Exchequer £21bn this year, increasing the already fierce pressure on public spending in the period before the general election.

That is the view of a report published today by the Unemployment Unit, a research group that campaigns for the unemployed.

Each unemployed person annually costs the Treasury £8,900, the group says.

That is sharply higher than its previous estimate, made last autumn, that the Exchequer loses £8,300 for each unemployed person as a result of unemployment measures, central government spending and lost revenues.

The estimate of £21bn for the whole of 1991 compares with £15bn on unemployment spending in the fiscal year 1990-91, which included £5m on benefit payments, £770m in administration and £9bn in lost income and indirect taxes and National Insurance contributions.

On the basis of spending in the year to April 1991 and the forecast rise in unemployment from a current 2.4m to 2.5m by the end of the year, the Unemployment Unit estimates that spending will exceed £20.7bn in 1991.

Blow to Tories' 'green' campaign

By Ivo Dawnay, Political Correspondent

EFFORTS BY the government to seize the electoral high ground on environmental issues suffered a serious setback yesterday when it emerged that plans for a powerful new anti-pollution agency have been delayed.

As recently as last July, Mr John Major sought to emphasise his "green" credentials by promising the rapid creation of a unified watchdog, merging the responsibilities of Her Majesty's Inspectorate of Pollution with the work of the National Rivers Authority.

The prime minister singled out the plan as evidence of the government's determination to build on the work of its comprehensive white paper – This Common Inheritance – published a year ago.

The proposal has now been put back indefinitely after insistence by Mr John Selwyn Gummer, the agriculture minister, that at least some of the NRA's anti-pollution responsibilities should be switched to his department.

Government business managers are also understood to have opposed any legislation on the agency in the coming session on the ground that it might provoke controversy in the approach to an election.

Instead of a firm plan, the government is expected to issue a consultation paper next month which will, in effect, postpone a firm decision, probably until after an election.

Disclosure of the delay could not come at a worse moment for the government. Mr Michael Heseltine, the environment secretary, is due to issue on Wednesday the first annual "audit" on the government's environmental record since the white paper was published.

The occasion was intended to trumpet the Conservatives' record and outline a new green agenda that would form the core of the party's commitments for the election manifesto.

Meanwhile Greenpeace, the environmental group, will today publish a 73-page report alleging "confusion and gross incompetence" by the government in its environmental policy.

Organic apples enter politics

David Owen reviews the highlights of the Green party conference

IT WAS quite a week for the Green party, even by its own unconventional standards.

First, it received a plea – which it rejected – not to stand against Liberal Democrat candidates in the general election. Then it had its political legitimacy solemnly endorsed on national television by both Mr William Waldegrave, the health minister, and Dr David Owen, the former SDP leader.

Finally, it backed fundamental internal reforms, designed partly to turn it into a more effective electoral fighting force – after a meandering and occasionally vituperative debate during which the reformists were accused of wanting to set up "an insulated, isolated politburo".

Whether that potentially far-reaching decision will transform the party and help it towards its medium-term goal of becoming a significant force at Westminster remains to be seen.

For the moment, it is still the same old faintly anarchic, highly principled, eccentric bunch. As Mr Jonathon Porritt observed at a crowded fringe meeting in a dingy polytechnic lecture hall: "The idea of telling the Green party what to do is a totally futile one."

NEITHER Mr Jonathon Porritt nor Ms Sara Parkin is to stand in the forthcoming ballot to elect two Green party principal speakers.

The party's best-known national figures ruled themselves out of the contest as the autumn conference drew to a close in blustery Wolverhampton.

Ms Parkin is considering standing for a seat on the new party executive, however.

The two new figureheads - one man, one woman to be elected annually - are likely to be among the six "front bench" speakers chosen by the party during the conference.

They are: Ms Janet Alty, Mr Mallen Baker, Mr David Fitzpatrick, Ms Jean Lambert, Ms Caroline Lucas and Ms Jan Clark. It is not clear whether the new structure will be in place in time for a November general election.

Item: Where else but at a Green party conference would a carrier bag full of organic apples be used as a political instrument? "Free to all who intend to abstain in the Green 2000 debate [the reform motion]," said an attached note on Friday night. "Watch out for the grotty bits."

By Saturday, that had changed. The new rubric read: "Following widespread consultation with all sections of the party (in the bar last night) these apples are free to anyone prepared to accept and work within whatever constitution we have after the motion has been discussed."

Item: Where else would you hear the question: "I would like to know if I can move a procedural motion while another procedural motion is being debated"?

Item: And where else would an acrimonious debate conclude with all present holding hands and observing a minute's silence?

In terms of policy, the conference voted for a progressive liberalisation of Britain's immigration laws and a comprehensive revision of asylum laws, policies and practices.

It formally endorsed a "defensive defence" policy committing it to unilateral nuclear disarmament. It rejected proposals to do away with professional armed forces in favour of a trained reserve force.

In a keynote address, Ms Caroline Lucas, prospective parliamentary candidate for Oxford East, urged conference to "reclaim the radical".

She said: "To imagine, as Mr Ashdown does, that a penny on income tax to fund education, a federal Europe and a single currency are radical . . . is aspirin for the cancer victim."

There was little mention of the party's financial difficulties, caused chiefly by dwindling membership and the enforced write-off of some substantial debts. It is budgeting for a surplus of just £562 in its 1991-92 fiscal year.

Such lack of resources, coupled with the period of readjustment that the agreed reorganisation will inevitably bring in its wake, do not bode well for general election prospects. The party is running at about 2 per cent in the polls.

Nevertheless, in a handful of seats the Greens might make a difference, as the Liberal Democrats are clearly aware.

They include Richmond and Barnes, a perennial centre-party target, and Ceredigion and Pembroke North.

In the latter case, a joint Green/Plaid Cymru candidate seems likely to provide a stiff challenge for Mr Geraint Howells, the sitting Liberal Democrat MP.

Group launched to promote the classics

By Catherine Milton

A PRESSURE group to promote the study of the ancient world is launched today, called Friends of Classics. It aims partly to fight for the maintenance of classics teaching in schools and to encourage the study of classics for pleasure.

The group will offer lapsed classicists the chance to rediscover their Latin and Greek and will provide financial help for those who have never had the opportunity to study classics. Funds will be raised through subscriptions and donations. Dr Peter Jones, senior lecturer in classics at Newcastle University, said: "Contrary to what the government says, there are some problems which can be solved by throwing money at them."

Friends of the Classics has won support from senior figures in the City and industry. It hopes that the backing of businessmen who have no vested interest will lend weight to classicists' claims that the subject is important.

Among the eight patrons of the group are Sir Nicholas Goodison, chairman of TSB, and Sir Jeremy Morse, chairman of Lloyds Bank, as well as Dame Iris Murdoch, the writer, and Anthony Cleaver, chief executive of IBM UK.

UK NEWS

Disaster funding criticised by Oxfam

By Edward Mortimer

THE BRITISH government's method of financing disaster relief operations has been criticised by Lord Judd, director of the charity Oxfam.

In a speech to the Royal Institute of International Affairs Lord Judd described as "truly outrageous" the system by which the UK government's Ministry of Defence bills the Overseas Development Administration (which has a much smaller budget) for the cost of using the armed services to help victims of natural or man-made disasters, such as the Kurds and Bangladeshis earlier this year.

"It *is* absurd," he said, "that ODA should be recharged for the services provided.

"Frequently service of this kind by the armed forces has a tremendous morale and training significance for those involved."

Lord Judd, who as Mr Frank Judd was a foreign office minister in the last Labour government, also said that many deaths in the early days of the Kurdish emergency could have been prevented if there had been "a UN supremo in the field with the direct personal authority of the Secretary General, with access to experts, funds, buffer stocks of relief items" and the authority to liaise with voluntary agencies and the Turkish government.

He called on the UN Security Council, "as the effective 'clout' of the international community when the will exists, to put humanitarian needs as firmly on its agenda as other political crises", and in particular to take responsibility for people displaced by internal conflicts.

At present such people fall outside the mandate of the UN High Commissioner for Refugees, since refugees are defined as people forced to leave their country.

As an example, Lord Judd cited 1.8m displaced people in Sudan who, he said, "are being forcibly removed by the government to makeshift and inadequate holding camps".

The responsibility, he suggested, could be given either to UNHCR or to a new deputy secretary general.

Major warned of tax crisis before election

By Philip Stephens, Political Editor

UK MINISTERS are warning that prime minister Mr John Major risks a new political crisis over the controversial poll tax in the run up to a general election unless the Treasury provides up to £1bn more for local authorities.

Their concern comes amid further evidence from the opinion polls that the prime minister will be unable to risk an election before next spring.

It coincides also with a tacit admission in the government's administration that separate negotiations over departmental budgets for next year will result in another substantial overshoot in the Treasury's overall spending and borrowing limits.

The departments of health, education, social security, and transport have told the Treasury they cannot scale back bids for extra cash without undercutting Mr Major's personal commitment to better public services.

As a result the Treasury is expected to be forced to add around £5bn to its £221bn spending target for 1992/93.

The level of support for local authorities was fixed in July after negotiations between Mr Michael Heseltine, the environment secretary, and Mr David Mellor, the chief secretary to the Treasury.

Mellor (left) at the treasury, faces Heseltine at environment, and Clarke at education

Mr Mellor agreed to add £1.1bn to the exchequer's contribution in the 1992/93 financial year starting next April, taking it to a total of £33.1bn. The announcement was coupled with a warning that the government would use its extensive "capping" powers to prevent local authorities from loading excessive spending on to poll tax bills: the new local *per capita* levy for public services.

The grant is now being allocated across different council responsibilities - notably education, social services, policing and fire brigades - before being broken down further into grants for individual councils.

Ministers responsible for the different services now believe that the settlement significantly underestimated the demands on local authorities. They are warning that unless it is increased Mr Major will face either cutbacks in politically-sensitive services or another round of sharp increases in poll tax bills.

Their irritation has been increased by reports that Mr Heseltine could have secured more had he fought harder in July. One senior Whitehall official said that the Treasury would handed over £1.5bn.

The present settlement provides for an increase of about 4.5 per cent over the present financial year in local authority spending. The Treasury insists that it is realistic in the light of the expected fall in inflation to below 4 per cent. It argues also that councils could find another £800m from their reserves.

The spending departments, whose concern has been intensified by the increase this year in poll tax non-payment, believe the generous pay awards in prospect for teachers, the police and fire staff undercut the calculations. According to one senior minister, at least £500m more is needed to meet their obligations towards those groups.

In addition there is growing support within the Cabinet for abolition of the rule that even the poorest must pay 20 per cent towards their poll tax bills. The Treasury has fiercely resisted abolition, which would cost it another £400m. The ministers believe, however, that as the political pressures intensify with the approach of the election, the prime minister will be forced to intervene directly on their side.

EMPLOYERS' MONTHLY TRENDS SURVEY

UK manufacturers signal return to optimism

By Rachel Johnson and Diane Summers

A MAJORITY of UK manufacturers expect output volumes to improve for the first time in sixteen months, adding weight to recent claims from both the Bank of England and the government that the economy is climbing out of recession.

According to the UK employers' association, the Confederation of British Industry, in its latest monthly trends enquiry, the protracted decline in manufacturing output is expected to come to an end over the next four months, stimulated by a slight improvement in home and export orders.

The enquiry for September, which interviewed 1,456 companies, accounting for half the UK's manufacturing exports and employment in 50 industries, records its first positive balance on output expectations since May 1990.

Over the next four months, 21 per cent of companies expected their output to improve, while 20 per cent expected a further decline. The difference between the two, which gives a guide to current trends, was a slight, but positive 1 per cent. It compares with a negative balance of 6 per cent in August and a ten-year low of minus 36 per cent in February.

"This is the most positive sign yet that manufacturing industry is beginning to move out of recession," said Mr David Wigglesworth, chairman of the CBI's economic situation committee. He pointed out, however, that orders books remained very weak and that signs of recovery were "still patchy."

The CBI's caution ties in with the warning given by Mr Norman Lamont, the chancellor of the exchequer, in an interview last week. He said that though economic statistics were encouraging hopes of a turning point, the recovery would have "jagged edges."

Evidence of the continuing strain imposed by the recession on industry remained plentiful. While food, drink and tobacco and chemicals industries would have the strongest upturn, the engineering industry expected the downturn to continue.

And in response to subdued demand conditions at home, more companies were planning to cut prices than raise them for the second month running, helping the government's ultimate objective of low inflation.

Home and export orders books remained "well below normal" and stocks of finished goods were staying "above desired levels," the CBI reported.

There was less encouraging inflation news from the government from a survey on pay settlements by Incomes Data Services, the pay research group.

It said that the relationship between pay and the inflation rate as measured by the retail prices index had changed. Inflation now acted as a "floor" for pay settlements, rather than as a "ceiling", as it was in the second half of 1990.

Pay settlements over the coming months would be between 5 per cent and 7 per cent, therefore exceeding the rate of inflation, which is expected to fall to 4 per cent or below by October.

The same pattern emerged during the last recession, when inflation fell from 12 per cent to 5 per cent in the year to January 1983. A long period in the mid 1980s followed when inflation ran roughly between 4 per cent and 5 per cent, and pay settlements at 5 per cent to 7 per cent.

Lower inflation over the coming months is likely to mean fewer pay pauses and freezes and, once inflation stabilises, there should also be a greater number of long-term deals, the group predicts in its annual report on pay and bargaining prospects for the coming year.

Entry into the European exchange rate mechanism is likely to have a stabilising effect on pay settlements and average earnings, although the report notes that "economic instability within the whole of Europe may well haunt whichever party wins the forthcoming UK general election".

IDS points to a number of agreed pay increases for this autumn and winter. They include four car manufacturers that have predetermined rises as the second stage of two-year deals. In November, Rover is due to pay 7.5 per cent and Jaguar has agreed 7 per cent; in January 1992 both Nissan and Peugeot have agreed to pay 7 per cent.

PENSIONS

Challenge to Lucas clawback proposal may set test case

By John Plender

PLANS BY Lucas Industries to claw back £90m from a surplus in the Lucas pension scheme have run into an unexpected challenge from a former trustee.

Mr Simon O'Leary, a retired employee of the motor component and aerospace group, has written to the Occupational Pensions Board (OPB), the body required by the government to sanction any transfer of pension-fund surpluses to the company, attacking the basis of the proposition.

Mr O'Leary, a union representative who sat on the Lucas Staff Pension Fund Trustee Board for 14 years, has alleged a breach of trust by the fund's trustees.

He is threatening to take legal action if the OPB sanctions the transfer, which would cost the pension fund £150m before a tax payment of £60m to the Inland Revenue.

The proposed modifications to the Lucas pension scheme trust deeds, which have won union approval on the basis of an accompanying improvement in employee benefits, are due to be considered by an OPB committee on Wednesday.

Approval would normally require the committee to be satisfied that the company's claim to the pension-fund surplus was balanced by a genuine promise to meet any pension-fund deficits.

Mr O'Leary's letter to the OPB, of which the Financial Times has a copy, alleges that the late Sir Bernard Scott, the former Lucas chairman, told trustees that the company would not finance any shortfall in the pension fund. The letter adds that Sir Bernard, who was also chairman of the pension-fund trustees, said: "In the event of a shortfall, some solution other than extra money from the company would have to be found." The attitude was reiterated several years later, according to the letter, by a director who was also a trustee.

Lucas Industries has confirmed that although the company has made additional payments into the fund to finance improved benefits, it has never put in money to meet deficits. The company added that the trustees had taken independent legal advice from that taken by the company.

Mr O'Leary is calling for the Lucas pension-scheme surplus to be used to increase benefits to the maximum level permitted by the Inland Revenue.

He also argues to the OPB that it is imprudent for £150m of the fund's surplus to be removed while the implications of the recent European Court of Justice ruling in Barber v Guardian Royal Exchange remained unclear. The ruling calls for the equalisation of male and female retirement ages without indicating how that should be achieved.

Lucas's proposed move to extract money from the pension fund follows the accumulation of a substantial surplus in the 1980s, due to substantial redundancies and a successful investment performance. This resulted in the company ceasing to make contributions into the fund from 1985, although employees continued to contribute.

The company's request for the grant of a modification order under new government rules on the treatment of pension-fund surpluses could present an important test for the Occupational Pensions Board, in the light of Mr O'Leary's challenge. The Lucas pension funds and employees trusts together owned 13.2 per cent of the share capital of Lucas Industries at the last balance sheet date.

● THE EFFECTS of the engineering unions' campaign for a shorter working week have spread widely to other sectors during the past year and will influence negotiations in many parts of industry in coming months, according to Incomes Data Services. National industry agreements in engineering construction and the scrap metal industries for reductions from the present 39 hours a week might provide springboards for reductions elsewhere in the construction sector as well as in iron and steelmaking and the car industry, IDS says.

MANAGEMENT

Health chiefs prescribe commercial discipline

Alan Pike reports on West Berkshire's plans to hand over non-medical support services to the private sector

Clean break: privatisation plans include the laundry at Battle Hospital in Reading

By next spring, West Berkshire district health authority plans to have handed over the management of large parts of its non-medical support services to the private sector. The move is being watched with fascination by managers elsewhere in the National Health Service, and with apprehension by some of West Berkshire's own managers and union representatives.

Competitive tendering for services is commonplace in today's health service, and other forms of commercial activity are growing – in some hospitals the traditional stall run by volunteers from the league of friends has given way to swish, privately-managed shopping malls.

But most commercial involvement is for single services and West Berkshire's "facilities management" proposals are the most extensive ever attempted in the NHS.

West Berkshire originally considered asking the private sector to take over the provision and management of its entire range of general support services – a vast package of activities ranging from catering and portering to building maintenance and clerical and secretarial functions.

When the idea was mooted, the authority's own hospital managers argued that those support services which came into direct contact with patients, like cleaning and portering, should remain under in-house control.

They will – provided the in-house teams deliver the same level of efficiency improvements as the authority expects to obtain from the facilities management exercise.

Estate management, waste disposal, laundry and linen, sterile supplies, non-ambulance transport and a new cook-chill catering unit which will supply hospitals in West Berkshire and the neighbouring East Berkshire and Wycombe health authorities now form the basis of the proposed facilities management contract.

After considering bids from a range of organisations with relevant experience, the authority entered into negotiations with P&O Total Facilities Management, part of the shipping group.

Most of the details are complete, and a recommendation to go ahead with the scheme is likely to be considered by the health authority at its November meeting.

P&O would appoint an overall manager to run the proposed five-year contract, who would be supported by a team of about half a dozen executives in charge of areas including personnel, accounts, house services, engineering and building maintenance. Robin Booker, P&O Total Facilities Management's managing director, says that at least some of these senior positions would be filled by existing NHS managers working for West Berkshire – which covers the Reading area – or other authorities.

"Our top managers would need NHS experience. We must have people who understand what the business is all about."

P&O, itself, through its own catering and other subsidiaries, might operate some of the services it will be managing. Others would be contracted to other companies, or new small businesses formed by groups of existing health authority employees.

"It might turn out that we had only 20 or 30 people directly employed, with everyone else working for contractors. Alternatively, we might employ more," says Booker. "Pay rates and conditions for staff would be negotiated by the contractor providing the service. But we would not subcontract to anyone who failed to offer reasonable terms and conditions."

In spite of this assurance, the plan has not found favour with unions representing the health authority's employees. They fear that there will be a loss of jobs and a decline in both the quality of services and conditions of employment.

Hundreds of the health authority's staff are likely to be made redundant under the move to the facilities management contract. Since unemployment in the Reading area remains relatively low, many are likely to be re-employed by the contractors. For some individuals, this will compensate for the loss of security.

The health authority hopes that the contract with P&O, if finalised, will save at least £500,000 a year, and that efficiency improvements in the services remaining in-house will yield similar savings from a £16m general support services budget.

In a bid to deliver their share of the savings, the in-house teams are likely to consider developing generic working among support staff – the "porters who also change light bulbs" approach.

P & O would provide its services for a fixed fee rather than taking a share in the savings, and both the company and the health authority believe the eventual financial gain may be greater than the target £500,000.

Some of the contracted-out services, like laundry, contain potential for income generation through taking on non-NHS work.

Kevan Jones, the health authority's director of personnel and administration, expects that P&O's managers will also find opportunities for cost-saving rationalisation – for example, the authority currently has three departments responsible for estate management.

"We are planning to introduce facilities management because we are in the business of providing health care," he says. "This means that we must get maximum value for money to invest in patient care and concentrate our management skills where they are most needed.

"For instance, the authority owns more than 400 residential properties for staff and we employ our own workforce to maintain them. We have to ask ourselves whether it is right that a health authority should be devoting resources to managing houses. Just because things have been done in a certain way since the NHS was formed in 1948 does not mean it is necessarily the best way to carry on."

This question is more than one of managerial philosophy. Health authorities are finding it increasingly difficult to attract good specialist managers to some of their non-core activities, where career development opportunities are inevitably more limited than in mainstream health care management.

West Berkshire plans to set up a consortium management board, consisting of health authority members and managers and representatives of P&O and the in-house teams, which will review the performance of all contracts, monitor customer attitudes and take remedial action if problems arise.

It does not intend to follow the conventional competitive tendering formula of producing highly detailed contract specifications.

Michael Taylor, the health authority's district general manager, says the companies consulted on the facilities management plan were disenchanted – along with many health authorities – by the bureaucracy associated with the NHS's traditional competitive tendering process. "Market leaders have refused invitations to tender for services which they perceive as unrealistic in complexity and wholly motivated to drive down costs."

West Berkshire hopes that it has found a more realistic way of introducing commercial disciplines into the NHS. The scheme will not start before next year but, in the more commercial atmosphere generated by this year's NHS reforms, West Berkshire is already receiving visits from managers in other health authorities engaged on the same quest for improved financial efficiency.

No hostage to fortune

Tim Lawrence on corporate methods of outwitting kidnappers

Last month's spate of kidnappings involving employees from Thomas Cook, Tesco and the Post Office has considerably "sharpened companies' minds to the risks of hostage-taking," according to Ray Anning, chairman of Securicor Consultancy.

Securicor itself had its own mind sharpened when the wife of one of its drivers was taken hostage in Essex last December and the kidnappers forced the husband to hand over more than £2m.

"Criminals have always got a market lead, and we never know what the competition is up to until it makes a hostile bid," says Mike Hoare, a consultant. "Hostage-taking is the latest method to have evolved among the criminal fraternity."

Now that senior executives are receiving high-level protection, company buildings are covered by closed-circuit television and safes are impossible to pick and immune to explosives, criminals have devised new ways of getting access to cash. They have found that targeting a manager who has access to large amounts of money, and subsequently kidnapping his family until a ransom is paid, is one way of getting round security procedures.

Gerry Mars, a specialist in management and criminology at the Cranfield School of Management, predicts there will be an outbreak of imitations. "You start off with somebody having an idea and if it works, the method becomes more routine and there is a growth in activity."

According to Kelvin Hard, a consultant in organisation and human resources at Coopers & Lybrand Deloitte, "there is certainly a degree of panic in middle management about the increase in hostage-taking and at higher corporate levels there is recognition of the need to review procedures," he says.

Companies which handle large amounts of money should identify which employees are most at risk from kidnapping, according to security consultants. They should reassess their cash-handling methods to minimise both the number of people at risk and the degree of risk they face.

Procedures to minimise risks at work include: non-accessible cash deposits; more frequent cash collections; a dual key arrangement whereby two keys carried by two people are needed to gain access to cash; and a time-overlock system, whereby the safe is automatically locked outside business hours.

At home, locks, alarms and exterior lighting can be used to deter kidnappers and families should be on their guard when answering the door and answering strange telephone calls. A secure room with an independent means of communication such as a cellular telephone could provide a valuable refuge.

Vehicles should be protected by installing computerised tracking systems, which can locate a vehicle to within 100 metres and noiseless alarms connected to the police. Routes should be varied regularly.

Families – especially wives and children who are likely to suffer particularly from the trauma – should be briefed about the risks of kidnapping and the terror tactics the hostage-takers are likely to employ. If the victims understand the kidnappers' mentality they are less likely to be terrified and will be able to defuse the tension by meeting the kidnappers' demands.

However, the introduction of these security measures can cause further problems, according to Hoare, because the more employees are protected, the greater the danger they could be in.

For instance, when a time-lock device is in use, "if the kidnapper can get the vehicle off the road for long enough then the time lock will come off. All you could be doing is to make the kidnap last longer," says Hoare. Also, while educational seminars for families and advice to drivers to vary their routes costs relatively little, sophisticated equipment, such as alarms, is much more expensive.

As a result of the incident involving one of its drivers last December, Securicor showed a training video to all its employees about what could happen and what their reaction should be. Mike Waller of Securicor Consultancy admits that while alarms are installed in the homes of the company's senior executives, the cost of providing similar protection for Securicor's 40,000 employees would be "astronomical".

Companies will have to consider a range of factors before deciding whether the risk of a kidnap outweighs the cost of effective security, according to Philip Topping, director of the Centre for Risk Management at Cranfield. These factors include the likelihood of the victim suffering long-term trauma, what effect any kidnap would have on a company's efficiency, including the knock-on effects of any period of absence, and the ransom itself.

There is also a possibility that this ransom might take the form of industrial espionage – especially with information technology companies, where the pace of product change is frenetic and the need to keep up with competitors imperative.

Loss of image must also be taken into consideration, says Topping. Kidnappings of employees in companies which build their reputation on security such as banks, building societies and security companies could undermine public confidence.

Mars believes that companies will only adopt preventative measures when it becomes economic to do so. So far there have not been enough kidnappings to convince companies to take sufficient action, he says.

There is one final dilemma for companies to confront. If you collaborate with a hostage-taker once then he could well return a second time. Simon Adamsdale, a security consultant at Control Risks, says that "the prospect of successful law enforcement action, in the interests of removing the threat, is extremely important. However, the process of identifying and capturing the kidnappers has implications for the family involved. In this context, adequate preparation and training, of staff and employers, is also important."

Nevertheless, three people have been charged in connection with the kidnapping of the Tesco manager and Hard notes that there is generally a high detection rate for kidnappings.

Ian Johnson, another consultant, is equally optimistic. "These things need not go on that long. It is not as though we are in Sicily or Lebanon, where kidnappings have been going on since the year dot."

ARTS

Tippett's New Year

BBC2 & RADIO 3

BBC2's big music package on Saturday evening afforded a double salute to Michael Tippett: the film specially created for television of the latest Tippett opera, *New Year*, preceded by an hour-long composer portrait entitled *Songs of Experience* (made at the time of the work's 1989 Houston premiere).

The *New Year* relay, simultaneously offered on radio, used the forces of the 1990 Glyndebourne run cast led by Helen Field (Jo-Ann), Krister St Hill (Donny) and Kim Begley (Pelegrin) plus the LPO and Glyndebourne Chorus conducted by Andrew Davis.

Musically at least, the performance was of enormous *distinction: one noted* with satisfaction and pleasure how naturally Tippett's vocal lines (angularly contorted, heraldically trumpet-like or sweetly coloratura-flourishing as the situation demands) were now sitting on all the voices, how confidently and easily all the cast were dealing with the thornier passages of Tippettian verbal cliché.

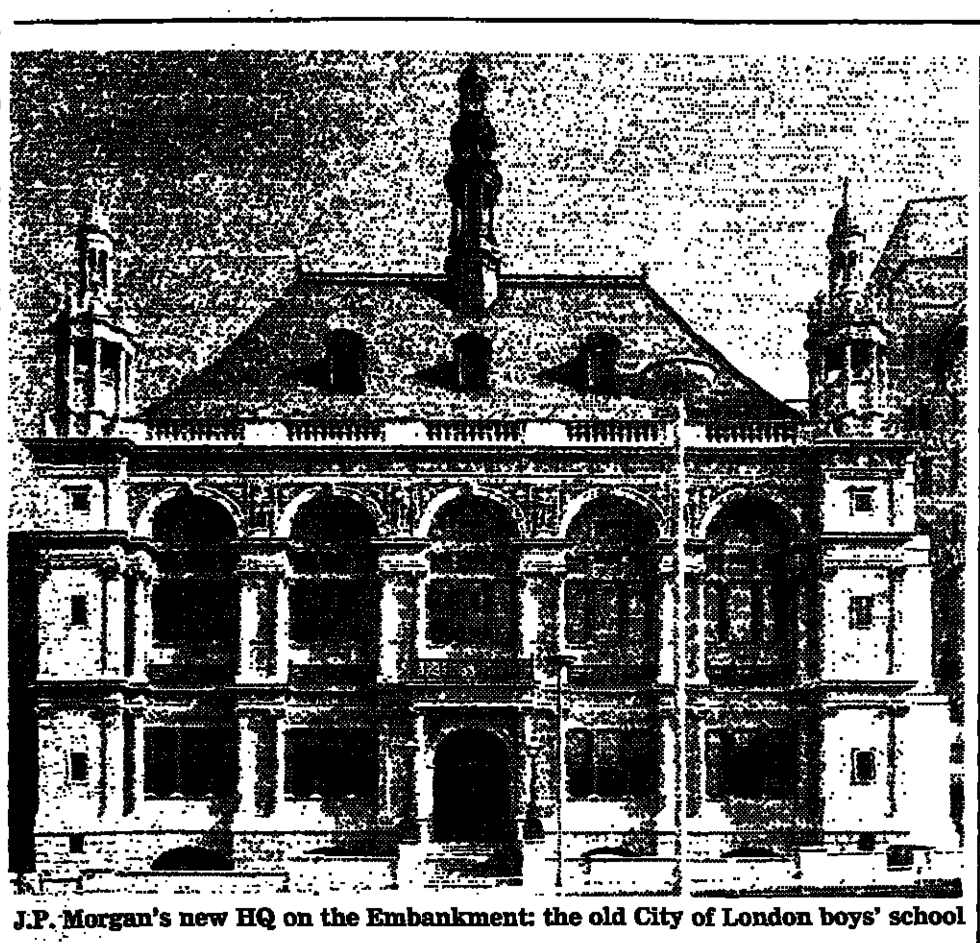
Had this been a radio relay alone, the lover of this whacky, wonderfully original operatic fantasy would have had only grounds for rejoicing. The difficulties came in with the film aspects. They should and need not have, since Tippett's operatic visions have been transferred to the small screen with bold success in the past one recalls with particular admiration Nicholas Hytner's film of *King Priam* and Elijah Moshinsky's of *The Midsummer Marriage*, both for Channel 4. Moreover, *New Year* is almost a *product* of television: almost *all its influences*, from the impressions of brutalised modern city life to the sci-fi images, were directly gleaned from the composer's nightly habit of watching the box.

But something seems to have gone seriously wrong with the adaptation and transfer process as undertaken by the film's joint directors Dennis Marks (BBC TV's Head of Music Programmes) and the American choreographer Bill T. Jones. What worked in the theatre as a miraculous melange of sounds and influences, daftly naive, comic, poetic and radiant by turns, came across on screen as dramatically queasy, turgid, and dangerously half-baked. The failures lay in design and direction: reliance for the moments when the future (Nowhere Tomorrow) arrives by spaceship to visit the present (Somewhere Today) on pop-video graphics so tawdrily second-hand that one gawped at the cheap-and-nasty ghastliness of it all. *(If, as reputed, this production cost £1m* to make, that in itself is a sort of miracle.)

Equally saddening was the failure to come to real artistic grips with the collision of worlds that forms the opera's central dramatic crux. The basic studio set seemed designed to frustrate the big crowd scene demanded by the New Year revels of Act 2, since the metallic walkways in which the opera was penned gave no sense of any longer city perspectives. The close-ups of the singers (and their make-up) were uncomfortably judged, the characters saddled with nightmarishly awful costumes. One remembered with increasing longing the snatches of the Peter Hall stage production shown during *Songs of Experience*: how much more fully that captured the multi-perspective oddities of Tippett's invention, how much better it looked (even if only briefly glimpsed) as film!

I cannot swear that the innocent viewer who chanced upon this showing will have been put off Tippett opera for life. What I do insist, however, is that it represents an opportunity badly botched.

Max Loppert



J.P. Morgan's new HQ on the Embankment: the old City of London boys' school

ARCHITECTURE

Bankers opt for a classical front

Banking nowadays is very much a matter of appearances. Invisible earnings need visible surroundings and when a bank of the quality and prestige of J.P. Morgan opens an important new London headquarters, it is both a banking and architectural event.

Morgan took the unusual course of buying a prominent listed building on the Victoria Embankment with sufficient adjoining sites for a large new office facility. The listed building, the old City of London School, was vacated in July 1986 when the City built new school premises further downstream in Queen Victoria Street, and is a key landmark on the riverside by Blackfriars Bridge.

It was built in 1881-2 to the designs of architects David and Emmanuel. It is a giant two-storey Portland stone building with twin columned turrets and a high central spire on the apex of a steeply pitched slate roof. There are five great arches carried on a double order of coupled columns; the great windows are recessed behind these arches and they light the enormous school hall – a space of intimidating grandeur. Only the headmaster, the sixth form and the prefects were allowed to use the main entrance on the Embankment. Morgan intends to continue this tradition, only using the riverside entrance for ceremonial occasions.

The new entrance to the bank is to the west side on John Carpenter Street and it marks the link between the old and new. The whole project, masterminded by the Building Design Partnership, comprises two separate new blocks, known as the Main and the Island buildings. The Main building is a six-storey granite faced block – almost gigantic is scale. The much smaller neighbouring new building looks like a mere puppy alongside.

The whole neighbourhood between Fleet Street and the Thames is part of the Whitefrairs Conservation Area, which a mere pedestrian may find hard to believe as he walks past solid phalanxes of new office buildings. There are a few Edwardian neighbours in blushing brick, but the density of new commercial palaces suggests a latter day Florence rather than an intimate jumble of City streets. Down Dorset Rise you see only new buildings and a view across the river of the hideous headquarters of Sea Containers.

The long side views of Morgan's building continues the impression of a Florentine palazzo with a large overhanging cornice. The architects describe the approach as "being disposed toward the principles of classicism". Because of the tight grid-like nature of the surrounding streets the passer-by receives only oblique views of the facades.

The long west facade is both classical and evocative of the formal organisation of the spaces within. The whole elevation is controlled by a giant Doric entablature with the trading floor occupying the piano nobile supported by a rusticated base that carries a Tuscan entablature. It is the familiar language of bank buildings of the 20th century – using classicism to evoke dignified associations and a sense of integrity. At the important corners of the buildings away from the river, rusticated towers are topped by Soanian pergolas. The strong entablature of the whole building is marked, not by elaborate traditional stone detailing, but by metal supports for a projecting metal frieze that is in fact a maintenance walkway.

The architecture is deceptive. There is more than a suggestion in both the rough and smooth granite of solidly hewn walls. But it is an illusion. The walls are prefabricated panels hung on a steel frame. If you look at or feel the building carefully there are soft mastic joints and a sense of the thinness of the materials. The inevitable visibility of ventilation louvres confounds any image of a Clyclopian palace.

Inside the new building there is nothing that can outshine the powerful presence of the former school hall. It is now beautifully restored and approached by the old grand marble stairs past sculpture and inscribed plaques of scholarly history. Mosaic floors, mahogany and walnut woodwork are now gleaming; fireplaces and stained glass windows have been cleaned and repaired. The hall itself is 60ft high and the huge timber roof recedes into darkness. Schoolboys who were brought to their terrified knees at morning prayers by the sheer scale of the space have been replaced by conferring bankers and traders whispering more materially focused prayers.

Inevitably the decorative richness of the old building throws into relief the functional and basic nature of the interior of the new offices and trading floor. It can be no coincidence that the Morgan executive who showed me round referred to the new building as "the factory." The huge trading floor with its advanced technology of screens and raised service floor represents the last word in banking and communications technology. Some 280 traders spend their days enjoying an almost school-like sense of cameraderie – more officially described as "management synergy".

Technology is not celebrated as it is at Lloyd's City headquarters – instead it is somehow suppressed into a rather grey world of underground rooms, artificially lit spaces and flickering screens. Much of the pressure to put the technology underground comes from the planning demands of the St. Paul's heights regulations – which are the main factor determining the low profile of this well tailored palace of commerce. Morgan's classical suit of outdoor clothes is an appropriate dress – *for a sober and polished* institution.

Colin Amery

Hamlet

MERMAID THEATRE

Hamlet is a very Japanese play. It is not just the formality of the court, nor all those corpses that litter the stage at the end. There is also the search to identify the corruption that goes with something indefinably rotten in the state of Denmark. Ophelia, too, strikes one as a Japanese figure as she strews flowers on the way to her watery death.

Having said that, however, *Hamlet* in Japanese is still pretty hard-going for those who do not understand the language.

This Kabuki production at the Mermaid, part of the Japan Festival in Britain, relies heavily on text. It may not be enough to think that if you know the Shakespeare version inside-out, following the words does not matter. For this is not, nor is it intended to be, a straight translation. There are some notable omissions among the minor characters, for example, and when you have the same actor (Somegoro Ichikawa) playing Hamlet, Ophelia and Fortinbras, you are not easily on recognisable territory.

Nor is it enough to think that if you have seen a few Kabuki productions before, you can rely on enjoying the visual side, the style and the music. This *Hamlet* is too deep for that. By the end of the first half you may be wondering what you let yourself in for.

It is in the second half that, at least for a British audience, the production begins to shine.

The reason may be that that is when the action starts to happen: certainly the stage effects come into their own. The king confesses his guilt, but admits that he cannot give up the prize. A wonderful will o' the wisp light is dangled in front of him. Ophelia goes mad. That is a natural for the Japanese style. The killing of Polonius fits in very well: no more than a wretched rash intruding fool.

True, not all that much seems to be made of the gravediggers' scene: Laertes does not jump in. But when you get to the final duel scene, the suicides and the killings, it is Japan all the way. Hamlet actually kills the king – in a move that made me turn my face away – with a Japanese sword through the mouth.

The formality of the court has been well done throughout. It is at its height in the duel, which seems an almost natural and inevitable end. Possibly the production then dwells a shade too long on Fortinbras taking over. I rather preferred the recent Romanian production where the new king, as a man of power, was automatically seen as a villain just like those who had gone before.

Still, that is a small matter. The formality is helped by the use of screens which half-conceal the musicians and give the additional atmosphere of a court where everyone watches everyone.

Should you see it? Yes, if only out of curiosity and a willingness to learn. Appreciation grows as the play goes on.

One looks forward to *Lear* which, you could also say, is a very Japanese play, and also to *Falstaff*. What on earth will the Tokyo Globe make of that? Those productions follow in the next few weeks.

Malcolm Rutherford

Alastair Muir

Somegoro Ichikawa as Ophelia (foreground) with Tanosuke Sawamura as Gertrude (left) and Matsuske Onoe as Claudius

Le Vaisseau fantôme

GRAND THEATRE, GENEVA

The first production of the new opera season at Geneva, mysteriously announced as Wagner's *Le Vaisseau fantôme*, was in fact *The Flying Dutchman* in the original German. It was played straight through without interval, an arrangement which should make the whole work resemble an extended ballad with Senta's actual ballad in the middle as the kernel – an effect for various reasons not wholly achieved on this occasion.

Clearly producer Pierre Strosser and conductor Christian Thielemann were not aiming at the kind of naturalistic staging – howling winds, heaving seas and ghostly mariners – that thrilled audiences in Wagner's time. Everything on the stage was pared down to a minimum (thank goodness, no dumb-show during the overture). The Dutchman's ship, *its spectral crew and the sea itself* were invisible – a yard or two of blood-red canvas would have cheered up the prevailing grey. *Even Daland's ship* was out of sight in the wings. All we saw were a few hawsers and some quayside gear.

Mary and the maidens did not spin but mended sails. This made good sense, but isn't there a case for slightly amending the text at such moments to avoid blatant contradiction? "Hum and whirr, good little wheel" they sang (in German) with, I thought, maliciously careful enunciation. Costumes (by Patrice Cauchetier) were vaguely mid-19th century, the Dutchman in a loose overcoat, collar and tie.

The first two sets, designed by the producer himself, gave the right, austere background for this conception of the opera; the interior with high walls, a row of low windows and a huge black stove, was particularly satisfying. The last act by comparison looked haphazard: it was not clear where the relayed voices of the ghostly crew were coming from. With any hint of Romantic paraphernalia *sternly* banished, Strosser's notable gift for devising meaningful slow movement and effective, relative *positioning for his principals* turned them into Ibsenite figures, fraught and tense.

In the orchestra pit the overture, so carefully detailed by Thielemann and the Suisse Romande players, gave an indication of what was to come: a serious, rather slow reading with crystalline textures, long, pregnant pauses and, *for this usually loud opera, low* dynamic levels. The storm music was more suited to Mendelssohn's Hebrides than to Wagner's North Sea. In the big choral ensemble of the last act the pace flagged, never regaining momentum.

José Van Dam sang the title-role. His sustained, legato lines constantly but never inappropriately recalled how much Wagner at that period was influenced by the Italian and French operas he had heard in Paris. Van Dam is hardly, I think, a natural Dutchman. His burnished timbre lacks a certain weather-beaten roughness not easily combined with such superior singing. Yet again and again the world-weariness was suggested by phrases of admirable finesse and faultless control.

Linda Plech, the *Senta*, *has* something of the compelling stage presence of (in their distinct ways) Barstow or Silja with much of their intensity of phrasing and delivery. The voice changes colour abruptly; a certain glassiness, almost a whine, used at the expense of some *splendid* full notes, threatens to become a mannerism. Miss *Plech did nothing dull* or *inept*. *Ben* Heppner's *Erik* transformed that necessary but inconvenient figure into a real, even sympathetic, person.

When he is caricatured as a greedy, grasping capitalist, Senta's father Daland becomes a bore. Hans Tschammer, young enough to pass for her brother, played him simply as an insensitive opportunist. The role gains immensely by being sung, as it was here, by a true *basse chantante*. Ferdinand Seiler made a real character of the sleepy steersman. Jean Laforge's excellent chorus was reinforced by the "Ensemble vocal bulgare". There was mild booing from the stalls for the producer but by the staid local standards the reception was friendly. Swiss reticence *has one great advantage* – audiences are blessedly still and quiet.

Ronald Crichton

INTERNATIONAL
ARTS GUIDE
TODAY'S EVENTS

■ BERLIN

MUSIC AND DANCE

Staatsoper unter den Linden 19.00 Fabio Luisi conducts I Vespri Siciliani. Tomorrow and Sun: John *Cranko's ballet The Taming of the* Shrew. Wed: Fidelio. Thurs: Cosi fan tutte. Fri: Carl Orff double bill. Sat: Aida (East Berlin 2004 762)

Schauspielhaus 20.00 Ferdinand Leitner conducts the Berlin Symphony Orchestra in music by Haydn and Karl Amadeus Hartmann, with Rosemarie Lang *mezzo soprano* and Angelica May cello. Thurs: Maurizio Pollini. Sat: Vladimir Ashkenazy conducts Mahler's Third. Sun: Claus Peter Flor conducts Haydn's The Creation (East Berlin 2272 261)

Philharmonie Kammermusiksaal 20.00 Alban Berg Quartet in a programme of Mozart, Berg and Brahms. Tomorrow: Natalia Gutman and Eliso Wirsaladze play Beethoven cello sonatas. Wed, Thurs, Fri and Sat: Harnoncourt conducts the Berlin Philharmonic (West Berlin 2614 383)

Komische Oper 19.30 Ballets by Harald Wandtke, Dietmar Seyffert, Volker Tietböhl and Emoke Posteny. Wed: Bartered Bride. Thurs: Die schweigsame Frau. Fri: Cav and Pag. Sat: La bohème. Sun: Carmen (East Berlin 2292 555)

Deutsche Oper 19.00 Ballet of the Deutsche Oper in works by Balanchine, Roland Petit and Petipa/Oleg Vinogradov. Tomorrow and Fri: *new production of Die* Zauberflöte. Wed and Sun: Faust. Thurs: Aida (West Berlin 3410 249)

THEATRE

East Berlin: this week's repertory at the Berliner Ensemble starts with a Kurt Weill evening tonight, followed by The Threepenny Opera tomorrow, *Galileo Galilei* on Wed, Mother Courage on Thurs, The Good Person of Sezchuan on Fri, Schweyk on Sat and The Caucasian Chalk Circle on Sun (2827 712). The Deutsches Theater has Peer *Gynt tonight*, Lessing's Nathan the Wise on Thurs and G.B.Shaw's Heartbreak House on Sat (2871 225). The Maxim Gorki Theater has a Feydeau farce this evening in the main house and Caryl Churchill's Top Girls in the Studiobühne, with Shakespeare's As You Like It on Fri and Chekhov's Three Sisters on Sat (2082 748).

West Berlin: the Schiller Theater has Schiller's Die Räuber tomorrow, Lessing's Minna von Barnhelm on Wed, Sat and Sun, Goethe's Iphigenie auf Tauris on Thurs, plus Anouilh's L'Orchestre on Fri, Sat and Sun in the Werkstatt (3195 236). The Renaissance Theater has Peter Shaffer's Amadeus directed by Gerhard Klingenberg, daily till Oct 29 (3124 202)

■ FRANKFURT

Alte Oper 20.00 Oleg Caetani conducts the Frankfurt Opera Orchestra in Tchaikovsky's Sixth Symphony and Stravinsky's Le Sacré du Printemps. In the Mozart Saal at 20.00, Andras Schiff plays piano music by Bartok and Haydn (repeated Wed and Sat). Tomorrow: Shura Cherkassky recital, plus violin recital by Thomas Zehetmair. Wed: Andras Schiff plays Bartok and Haydn (1340 400)

■ LONDON

MUSIC

Covent Garden 17.30 Bernard Haitink conducts Götz Friedrich's production of Die Walküre, with Karan Armstrong as Sieglinde, Poul Elming as Siegmund, James Morris as Wotan and Gwyneth Jones as Brünnhilde. The only other Royal Opera performances this week are tomorrow and Sat: Rigoletto (071-240 1066)

THEATRE

● Jesus Christ Superstar: the Shiki Theatrical Company of Tokyo perform their Kabuki-style Japanese-language version of the Andrew Lloyd Webber musical, stripping out the religious significance and leaving what they believe to be a good story. Runs from tomorrow till Sat only (Dominion 071-580 9562).

● Our Town: Alan Alda gives a commanding central performance as the stage manager in Thornton Wilder's comic elegy about birth, life and death in small-town America. An entrancing production directed by Robert Allan Ackerman, with Jemma Redgrave as Emily (Shaftesbury 071-379 5399).

● Three Birds Alighting in a Field: Timberlake Wertenbaker's fluent, funny new play about art, money, social climbing and self-recognition. Directed by Max Stafford-Clark (Royal Court 071-730 1745).

● Brand: Ibsen's austere early play about death and religious fanaticism, performed in an effective new verse translation by Robert David MacDonald. Directed by Roger Williams, with a cast led by Roy Marsden and Kim Thomson (Aldwych 071-836 6404).

● Hedda Gabler: Fiona Shaw stars in the acclaimed Abbey Theatre Dublin production of Ibsen's play, directed by Deborah Warner (Playhouse 071-839 4401).

● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ MILAN

Teatro alla Scala 20.00 Vladimir Ashkenazy is conductor and piano soloist in a concert with the Berlin Radio Symphony Orchestra: Dvorak's Otello overture, Mozart's Piano Concerto No 27 and suites from Lieutenant Kijé and Romeo and Juliet by Prokofiev (Tickets available through Serate Musicali from 10.00 till 14.00, tel 2940 9724). Wed, Thurs and Fri: Carlo Maria Giulini conducts the Orchestra of La Scala in Beethoven's Sixth Symphony and Schumann's Third (7200 3744)

■ MUNICH

Staatsoper 19.00 Hildegard Behrens heads the cast in Götz Friedrich's production of Fidelio, repeated on Thurs. Tomorrow and Fri: Paata Burchuladze sings the title role in Boris Godunov. Wed: Peter Wright's production of Sleeping Beauty. Sat: Die Zauberflöte. Sun: Nabucco (221316)

Herkulessaal der Residenz 20.00 Josef Zilch conducts the Musashino Orchestra of Japan in music by Beethoven, Rakhmaninov and Brahms. Tomorrow: Trio Fontenay and Eduard Brunner clarinet play music by Schubert and Messiaen. Wed: Munich Symphony Orchestra plays music by Tchaikovsky and Mozart (299901)

Prinzregententheater 19.30 Schiller's Maria Stuart, directed by Thomas Schulte-Michels, also tomorrow, Fri, Sat and Sun. Wed and Thurs: Shakespeare's Coriolanus directed by Steve Berkoff (225754)

■ NEW YORK

Metropolitan Opera 19.00 Opening night of the season: a gala celebrating 25 years of the Met at Lincoln Center. James Levine conducts the Met orchestra, chorus and ballet in staged acts from Rigoletto, Otello and Die Fledermaus. Among the artists scheduled to appear are Luciano Pavarotti, Placido Domingo, Mirella Freni, Hermann Prey, Cheryl Studer, Anne Sofie von Otter, Leo Nucci and Kurt Moll, plus some surprise artists in the Party Scene from Die Fledermaus. Tomorrow and Fri: Don Giovanni. Wed and Sat: Un ballo in maschera. Thurs: Die Zauberflöte. Sat matinee: Pavarotti sings the title role in Idomeneo (362 6000)

■ PRAGUE

MOZART IN PRAGUE FESTIVAL

Tonight's concert by the Junge Deutsche Kammerphilharmonie is directed from the keyboard by Christian Zacharias, at the Smetana Hall at 19.30. Tomorrow the Stamitz Quartet gives a late afternoon recital, and on Wed and Thurs the visiting ensemble is the Lausanne Chamber Orchestra. Other events include a performance of Le nozze di Figaro at the Smetana Theatre on Thurs, and two performances of John Neumeier's latest Mozart choreography with the Hamburg State Opera Ballet (Fri and Sat). The festival ends on Sun with a performance of Abramo ed Isacco (1776), *an oratorio by Josef* Myslivecek, a Bohemian composer who studied in Italy and was known to Mozart. Booking information from Cedok offices.

■ VIENNA

MUSIC

Staatsoper 19.30 Madama Butterfly. Tomorrow and Sun: La bohème. Wed and Sat: Abbado conducts Lohengrin. Thurs: Le nozze di Figaro. Fri: Die Zauberflöte (51444 2960)

THEATRE

This week's repertory includes a new production of Botho Strauss' Schlusschor at the Akademietheater (first night on Thurs), directed by Hans Hollmann with designs by Xenia Hausner and costumes by Anette Schröder. The Burgtheater has Kleist's Penthesilea directed by Ruth Berghaus and designed by Erich Wonder (Tues, Wed, Thurs), and Claus Peymann's production of Goethe's Clavigo, with daily performances from Fri till next Mon (51444 2218)

Telephone sales of tickets for the Staatsoper, Volksoper and Burgtheater are available by ringing Vienna 5131 513

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2300-2330 World Business Today
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1540-1610 Moneyweek
1900-1930 World Business This Week
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SUNDAY

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Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
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1340-1400 Inside business
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Monday September 23 1991

Italy's need for reform

NO European country has proved the prophets of doom wrong more often than Italy. Repeatedly, in recent years, it has appeared to be in the throes of insoluble crises. Every time, the country's infinitely ingenious politicians have managed to patch up yet another coalition – Italy is now on its 50th post-war government – but only at the cost of delaying urgent decisions on structural economic reforms.

This failure to grasp the nettle has been masked by an ostensibly good economic performance. Italy has enjoyed a long period of rapid economic expansion. Though growth fell to 2 per cent in 1990, the lowest level since 1983, the latest report on Italy by the Organisation for Economic Co-operation and Development forecasts that it could well pick up to 2¼ to 3 per cent in 1992.

Many other industrialised countries, particularly the UK, would be more than happy with such a prospect. The OECD, however, rightly points to the fundamental weaknesses of the Italian economy. It gives some startling statistics in support of its warning that Italy must quickly pull up its socks if it hopes to join the European economic and monetary union as an equal partner.

Italy has entered the present decade with one of the highest EC rates of inflation, unemployment and levels of public deficit. The jobless rate, at about 11 per cent, is more than twice as high as the average in the other six major OECD countries. Inflation, at 7 per cent, is double that of Germany and France.

Public spending

Most worrying of all is the rapid expansion of public spending and the persistently high budget deficits. Since last year, Italy is the only OECD country where the ratio between public debt and gross domestic product both exceeds 100 per cent and is still rising.

It would be unjust to accuse the government of taking no action at all to remedy this dire situation. The decision to join the narrow band of the European exchange rate mechanism last year, together with the removal of remaining capital controls, has kept the lira strong and led to some narrowing of interest rate differentials with Italy's European partners. In an attempt to stabilise the cost of debt service, now amounting to as much as 10 per cent of GDP, the government has also moved from short to medium and long-term borrowing.

However, as the OECD stresses, there is only limited scope for reducing interest payments through changes in debt management. The real problem to be tackled is a strengthening of the primary budget balance through a reduction of public spending.

Lip service

While all Italian politicians pay lip service to this objective, they have so far signally failed to agree on the steps required to achieve it. These include, notably, bringing public sector pay under control after a rise of nearly 16 per cent last year, cuts in government subsidies, a widening of the tax base, reform of the national pensions scheme and accelerated privatisation.

Given past experience, the OECD is undoubtedly justified in its scepticism about the effectiveness of the deficit-cutting measures likely to emerge from the current bout of political bargaining. With a general election due in May next year, the politicians will not want to take steps which could alienate the voters.

The sad fact is that the Italian political system does not produce strong enough governments to take the hard decisions required today. In a referendum in the early summer, the vast majority of voters supported electoral reform aimed at reducing the risk of fraud. The result was a sign that most Italians had had enough of political corruption and were ready for more sweeping reforms to make their political system more effective.

Such changes, whether they take the form of a more powerful presidency or an electoral law favouring larger parliamentary majorities, will be difficult to push through, since they require a two-thirds parliamentary majority. Yet it is clear that, failing stronger government, Italy is unlikely to take the radical steps needed to keep it in the front rank of European economies.

EC carmakers in a spin

LESS THAN two months after Brussels and Tokyo stitched together a deal on Japanese car sales in the European Community, renewed frictions over the issue are raising the spectre of a fresh trade row. Still more serious, from the EC's standpoint, is the danger that its carmakers will use the affair as an excuse to continue to shirk actions essential to their survival and the health of Europe's industrial economy.

Because the deal amounts to little more than a flimsy attempt to plaster over deep divisions in the EC's own ranks, it was always bound to provoke dispute, particularly with respect to Japanese-owned car "transplants" in the Community. That is now happening. The UK government and Nissan of Japan say the arrangement allows unrestricted transplant output. But much of the European industry, alarmed by an ominous recent slide in sales, says that is unacceptable.

The dispute, at least, acknowledges one central reality: Japanese plants abroad, as much as those in Japan, are the international benchmark of competitiveness – which European producers are far from matching. However, the arguments deployed by Europe's carmakers to try to evade these uncomfortable facts are mostly specious.

They complain that any benefit to consumers from unrestricted sales of Japanese cars is short-lived, because the Japanese use artificially low prices to drive out indigenous rivals, destroying the jobs and profits which underpin consumer spending. Japanese transplants, furthermore, generate relatively little employment or value added, and simply add to excess capacity.

EC prices

The prices of Japanese cars in the EC scarcely suggest dumping, while in the US market European exporters appear at least as open as the Japanese to charges of selling below cost. It is undoubtedly true that Japanese transplants employ relatively fewer people than European-owned facilities. But that is in large part because they are more efficient. Excess capacity is not the European industry's problem: it is too many obsolete, high-cost plants, which have survived thanks only to subsidies and protection. Preserving such capacity involves a massively wasteful diversion of resources into an inefficient sector, penalising more efficient industries and weakening European economies.

Another favourite argument is that the EC should not open its market to the Japanese until Japan allows free access to EC car exports. Though formal Japanese trade restrictions have been largely eliminated, important obstacles to imports remain, notably in distribution. However, the evidence suggests that the Europeans are seeking scapegoats for their own failures.

Implicit assumption

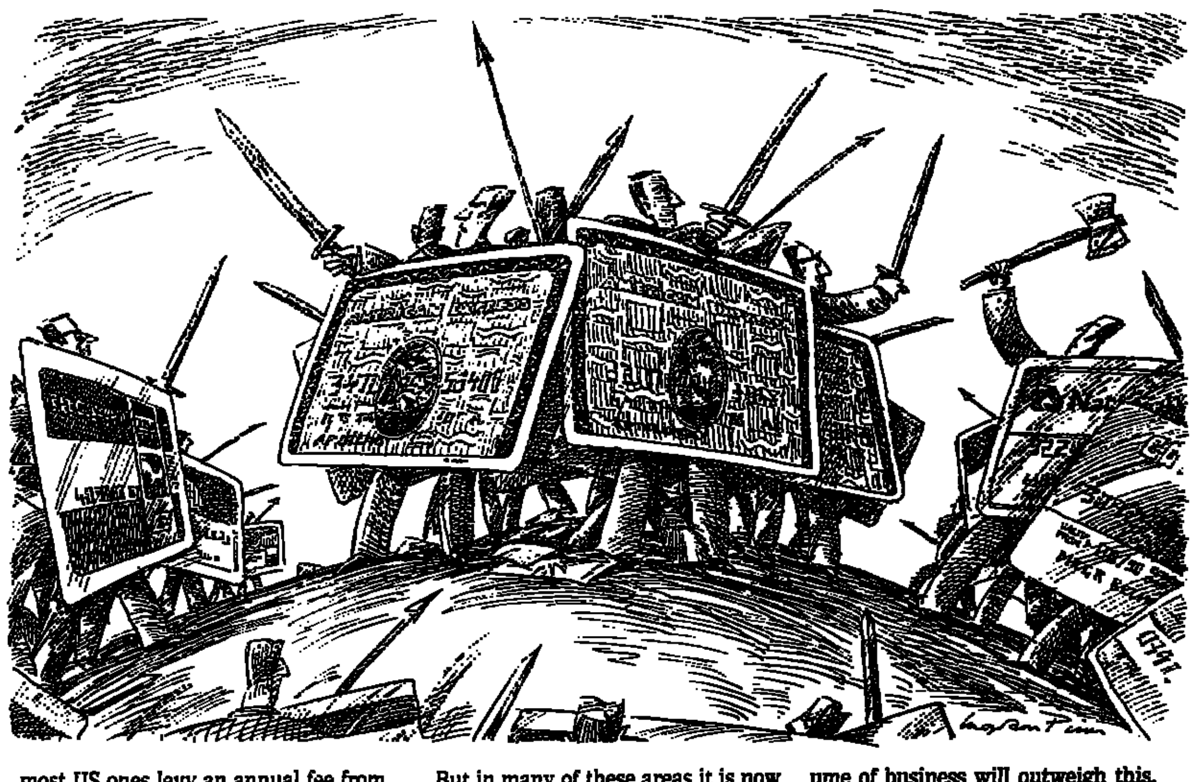
The implicit assumption that only structural barriers prevent European producers from storming the Japanese market is contradicted by their dismal performance in the US, where they once accounted for almost all imports. Today their market share is less than five per cent, and Britain's Rover and France's Peugeot recently halted exports. The Japanese, meanwhile, have increased their share to one third of total sales, even though their exports were restricted for most of the 1980s by quotas.

The "trade reciprocity" threat is also hollow since it would have to rely on formal controls on transplant output. But, as the European Commission acknowledges, any such controls would violate the Rome Treaty and undermine the principle of free movement of goods on which the EC's planned single market is based.

Central to the single market plan is the belief that vigorous cross-border competition will stimulate industrial efficiency and restructuring. That competition neither should – nor, in a world of mobile capital, can – be limited simply to indigenous producers, above all in those industries where competitiveness lags behind world-class standards. If European carmakers persist in trying to run away from that challenge, they will not only jeopardise Europe's single market and its economic well-being. They will be signing their own death warrant.

American Express will have to innovate to stave off competition, says **Martin Dickson**

They are leaving home without it



Call it the case of the revolting restaurateurs. Mr Michel Roux, the owner of three of Britain's top restaurants, has just advised the world that the American Express card will no longer do nicely. Fed up with the fees he has to hand over to Amex, he is refusing to accept its plastic as payment, and is urging other smart eating establishments to do the same.

His call to arms echoes a similar protest across the Atlantic, where a group of about 100 restaurants in the Boston area threatened to boycott Amex earlier this year unless it cut its fees. One of the protest leaders cheerfully posed for a picture showing him stabbing an Amex card with a chef's knife.

Grousing by a hot-pot of chefs, however exquisite the products of their kitchens, does not of itself constitute a serious blow to American Express, but is it extremely bad publicity – and it may also be a straw in the wind. For Amex, the company which taught the world to pay by plastic and is blessed with one of the most powerful global brand names, is finding its franchise under attack as never before.

The competition is hottest in the US where its rivals for consumer spending power – in the industry argot, "share of wallet" – go well beyond the traditional humdrum Visa and MasterCards issued by banks. Variations offer discounts on phone calls, points towards free airline tickets and cash savings.

Amex would suffer badly if such rivals made big inroads into its market, for despite its growth into a financial services powerhouse, the company still depends on its card business for the great bulk of its profits. It would also be a severe personal blow to Mr James Robinson, the company's head, who is sometimes known as the "Teflon-coated chairman" for his ability to rise above a series of disasters in the group's non-card businesses which have repeatedly held back its earnings in recent years.

This year Wall Street expects Amex's earnings from Travel Related Services – which includes its card operations – to be flat, due in part to a rise in credit delinquencies and in part to a slowdown in the growth of card earnings. Recession, which is hurting all card issuers, seems largely to blame and so far Amex appears to be holding its market share reasonably well.

But might the economic downturn be masking more fundamental shifts in spending patterns which could continue hurting its franchise long after recovery gets under way? That question cannot be answered without looking at how Amex makes its money, how it differs from its rivals, and the vigour of its response to the challenge they pose.

Most of the cards issued by American Express – notably its traditional green and gold ones – are charge cards, which means the user has to pay off his bill at the end of every month. Amex makes its money by charging annual membership fees to card holders and by taking a percentage of the "take" received by any merchant on bills paid using the card.

The profits of the business are driven, therefore, by the number of card members enrolled and – most crucial of all – the amount they spend via their Amex card.

So while Amex accounts for only 9 per cent of general purpose cards issued in the US, it is thought to take around 24 per cent of all billings – and that share has only dropped slightly over the past few years.

The pieces of plastic issued by banks, such as Visa and Mastercard, are different. They are credit cards which allow a user to roll over the amount he owes from month to month, though the price of this flexibility is an extremely high rate of interest.

The banks also charge merchants a percentage fee on any transaction and most US ones levy an annual fee from charge-card holders. But both of these are substantially lower than Amex's because the banks make much of their money from the interest bills run up by customers who don't clear their accounts each month – people known in the trade as "revolvers".

Amex aims to attract a much more focused clientele – wealthier individuals or businesses who spend more per month via their cards than bank card users and promptly pay off their bills.

Over the past two decades it has done so extremely successfully, thanks to four main factors. First, it has run a brilliant marketing campaign, which has emphasised the snob appeal and credit-worthiness of being a card holder: *"It says more about you than cash ever can."* Second, merchants have been persuaded that accepting Amex boosts boosts both their image and their profits. Third, it has backed its cards up with a high quality of customer service and a worldwide network of offices. And fourth, it has attracted a strong corporate clientele.

But in many of these areas it is now under fierce attack from the credit card brigade.

For a start, snob appeal is harder to sustain in a recession, in a market crowded with credit cards, and in a social climate which may be changing towards less conspicuous consumption.

In the US the credit card issuers have been striking more quantifiable blows as well. In particular, Citicorp, the largest issuer of bank credit cards, and First National Bank of Chicago have linked up with two of the top airlines – American and United – in deals which offer card holders points towards free air travel for every dollar they spend.

This struck so directly at the heart of the Amex market – the well-heeled frequent flier – that this summer it had to retaliate with a scheme of its own – linking it up with seven leading airlines, and going one better than its rivals by offering ground packages as well, such as "once in a lifetime" tennis lessons with a top professional. The package clearly costs it money, although it claims the increased volume of business will outweigh this.

American Express retains several other important advantages: unlike bank cards, it sets no spending limit and Visa and Mastercard cannot compete with its worldwide back-up service. "You won't find a Citibank Visa office in Bombay," says Mr Philip Riese, a senior US Amex manager. "You will find us."

This global network, and Amex's important involvement in other areas of the travel business, is particularly useful for business customers, and Amex has built up a sophisticated service which allows companies using its cards to keep a close track on employees' spending on travel and entertainment. This is turn helps the companies control costs and strike deals with airlines and hotels for bulk discounts.

But here too bank and non-bank credit card issuers are starting to stir. Amex is still the overwhelming industry leader, with an estimated 5m corporate cards issued in the US, compared to 500,000 for Mastercard and 750,000 for Visa. But Visa claims to be growing extremely rapidly, with a 50 per cent increase in cards issued during just three months this summer.

It also offers clients a customised expenses tracking service, although Mr Kurt Peters, editor of Credit Card News, says: "Amex knows that market so well, its harder for the banks to get in. Amex knows just what kind of reports companies want."

Amex insists it is still growing strongly in this area. Mr Jim Firestone, who handles US corporate accounts, says that over the past two years its client list among the Fortune 100 top companies has risen from 66 to 88, with the gains including Motorola, Mobil Oil, Texaco and Lockheed. But there have also been losses. General Motors, for example, has switched to MasterCard – a move probably linked to the fact that its huge financial services arm issues MasterCards of its own. And Goodyear, the tyre company, switched to Visa after surveying employees.

Amex may be retaining its share of a growing corporate market, but the pressure from the competition seems certain to have forced cuts in the price it can charge for its cards, and thus its margins.

A card is only useful if you have merchants that accept it, and Visa and MasterCard make much play of their roughly 9m outlets around the world compared to 3.3m for Amex. A advertisement due out soon from Visa, for example, will trumpet the fact that its plastic will be accepted at the turnstiles of the next Olympic Games.

This is not necessarily a threat to Amex, as long as the high spenders it wants to attract can still use the card in plenty of up-market places. Far more serious would be mass defections from the ranks of its merchants.

That is unlikely to happen in its most important travel and entertainment markets – the airlines, hotels and top restaurants – as long as the company enjoys such a strong hold over corporate customers and high rolling individuals.

But the retail and non-corporate markets seem less secure. Take, for example, Carnival Cruise Lines, the Miami-based company which accounts for about a quarter of all the US's holiday cruise business. It says it stopped taking the American Express card last year after failing to negotiate a sufficiently attractive new fee structure. It had been paying 3.2 per cent to Amex, which offered to drop the figure to 2.9, compared to the 1.15 per cent then charged by Visa.

Mr Bob Dickinson, the Carnival executive involved, says Amex warned him the move would cost business, but the very opposite has been the case. The lessons, he says, are that 99.5 per cent of Amex card holders have Visa or MasterCards, and that in the leisure travel market "Amex have no edge. They just price the product as if they do." They are also, he adds, "arrogant as hell".

The recession has put American Express under pressure from numerous other sectors to cut the 1.25 to 2 per cent margin it charges above the bank cards, and in many cases – including the Boston chefs – it seems to have given ground. Says Mr Peters: "A lot of the merchants making most noise end up not giving up Amex. There's a lot of smoke, but not much fire." But while that may be true, lower fees from merchants again hit Amex's profit margins.

The company's core franchise seems reasonably secure for now, albeit frayed at the edges. But the fat profit margins American Express enjoyed in a less crowded market seem gone for ever, and it will have to keep innovating hard if it is to differentiate itself from the competition.

American Express executives hint that more important initiatives are on the way this autumn. "There have been announcements of our demise for many, many years," says Mr Riese, "and they have all been premature. I would suggest to the market – just watch us."

Problems across the Atlantic

In the UK, American Express, like other card issuers, has been hit badly by the recession, writes John Authers.

The new consumer frugality has created a vicious spiral for all credit card issuers. As the proportion of card users paying off their bills promptly has increased, (typically from less than a quarter to about 50 per cent), so the cards became less profitable for their issuers.

In response, the four big clearing banks introduced annual charges for cards. This provoked many customers to switch loyalties to smaller institutions which refused to introduce charges, such as Save & Prosper.

Today, two new approaches make sense for card issuers. They can cut their "extras", trim costs and compete on price, or add as many genuinely useful perks as possible.

This view of the market is implicit in National Westminster's new range of credit cards, launched when the bank introduced a fee on all its credit cards last month.

Mr Mike McManus, Barclaycard's managing director, says of Amex's problems: "Retailers are realising that most Amex card-holders have also got a Visa or MasterCard."

The focus of the debate in the UK has moved on from the price charged to retailers to the fees paid by card-holders. Amex's charges are high; its basic Green card costs £37.50, the Gold £85, and the Platinum service, launched in January, weighs in at £300.

Amex is clearly fighting back; next week, it launches an advertising campaign to persuade its card-holders to resume spending on life's luxuries.

OBSERVER

Archangel Gabriel

■ "On yer bike" became one of British political life's more memorable eighties' exhortations. When challenged on the issue of the Conservative party's record on unemployment, Norman Tebbit, leading Thatcherite groupie, once used the example of his father who, he said, did not bemoan his fate but rather "got on his bike" and went out looking for work. "On yer bike", pronounced with a peculiarly east London twang, then became a rallying-cry or an odious sneer, depending on one's political affiliations.

But some entrepreneurs took the message to heart in a more than metaphorical sense and one has just demonstrated that it suited his spirit very well. At 37, Richard Gabriel, founder and chairman of the delivery company Interlink, has sold his 55 per cent stake in the company for almost £28m; not bad for an initial outlay of £13,000, itself a loan from Barclays bank. The Australian transport and security concern, Mayne Nickless, paid a total £50.5m for the company.

The irony is that Gabriel, formerly a milkman and motorcycle courier, got *off* his bike to start his meteoric rise to riches. He sold his motorcycle for £650 to start his first company, Road Runner, a messenger service.

Gabriel's knack, which increased his shareholding's worth by 68 per cent in the last five years (since Interlink was floated), was to expand through licensing franchise holders, gradually blossoming into a national network of 150 different franchisees, one of the country's largest overnight parcel delivery service.

Gabriel is not just a child of the eighties, however. He also shares a common heritage with a more recent Conservative prime minister, John Major. Earlier this year British media raised a sandstorm concerning Major's rather ordinary educational background – no university, scant paper qualifications. In 1989 Gabriel recalled that he "didn't get any qualifications at school". One wonders what they would have done if they *had* shown academic prowess.

Mail order

■ Not all postal workers are looking as rosy as Interlink's. Germany's pushy mail order companies and direct mail advertisers trying to empty acquisitive pockets have run into a little difficulty in a railway siding in Chemnitz, formerly Karl-Marx-Stadt, near the Czech border.

The town post office, unable to cope with the avalanche of catalogues and other bulk-mailed bumpf, as well as normal postal traffic, has been stockpiling the stuff on a branch line. It has accumulated 75 rail wagonloads – and is growing.

"We are having to handle as much mail as we do at Christmas," complains local post office boss Helmut Steeg. In normal times mail order catalogues alone account for about 40 per cent of the daily Bundespost deliveries to Chemnitz, but the volume has been building up.

Direct mailers have spotted a golden opportunity to extend their franchise eastwards and are mounting a drive to win customers before the Christmas sales peak. It may be their last chance.

Spending on postal advertising last year shot up by 20 per cent to DM3bn, making the Bundespost the country's third most important advertising "medium". But the escalation has alarmed the environment ministry; it's considering a ban on the distribution of all unsolicited mail, changing what it calls Germany's "throwaway society".

"Do you ever worry about friendly fire?"

Injured innocence

■ Vice-chancellors heading UK universities must be in two minds about the London School of Economics' new director John Ashworth.

While welcoming his verdict that they don't run a cartel to inflate the price of higher education, they'll be pained by his explanation why.

"A cartel is a sophisticated economic operation," he said. "It would certainly be beyond the vice-chancellors of British universities to organise one."

Snuggle up

■ An intriguing assignation should happen today between two of the more colourful elements of Britain's rich political tapestry.

Representatives of the Greens will get together with envoys from Lindi St Clair's Corrective party, which has stirred the imagination of some voters by promising enhanced civil liberties and changes to Britain's censorship laws.

St Clair says the rendezvous with the environmentalists is "to talk about us adopting each other's policies."

Before readers get carried away over the possible consequences of a Green/Corrective merger, it must be pointed out that the Greens themselves place a different gloss on the reason for the liaison.

It will help them decide upon a policy on the single issue of prostitution, they say.

Green spleen

■ Not all green issues are quiet so entertaining. Remember those American Express ads about the traveller who arrives at a foreign airport, only to be told by a smiling lady from American Express that his card has been replaced – even before he realised that he has lost it?

Reality can be rather different, as Observer discovered.

After losing credit cards and wallet to a pickpocket on the Turkish mediterranean coast, far distant friends were asked to urgently relay appeals to American Express.

Alas, the smiling lady never rang back; the only solution was to borrow cash. Amex never even got round to calling. When the replacement Amex card eventually arrives, it may well be cut up.

Count down

■ Spain's 1991 nationwide census appears to have miscounted the country's population by about a million people.

The census found population had grown from 37,682,355 to 38,473,670 people between 1981 and this year, a rise of just 1.97 per cent.

The institute for national statistics distrusts its own figures and is now engaged in a large resampling of about 150,000 people, in the belief that growth must have been at least twice that rate.

Collor's crusade crumbles

Burdened by an economy limping from crisis to crisis, Brazil is undergoing social unrest more insidious than revolution, writes Christina Lamb

There is no rioting in the streets, no looting of shops or revolutionary talk in the universities. Yet newspaper editorials and politicians insist Brazil is suffering its worst crisis since 1964 when, amid social and economic turmoil, the military overthrew the country's last elected president.

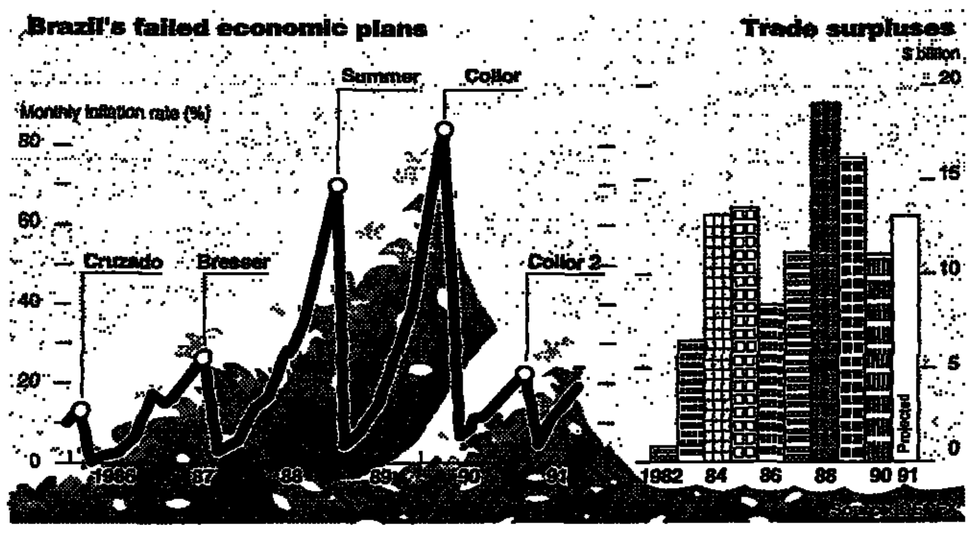
As if to confirm their fears, President Fernando Collor de Mello last week summoned the first meeting of the Council of the Republic which, under the constitution, is convened only in times of national emergency. His message was stark: the state is bankrupt and without constitutional overhaul the country is ungovernable and headed for hyperinflation.

Mr Collor's sombre words were little surprise to most Brazilians. After 10 years of chronic inflation and midway through the second year of recession, economic crisis is nothing new to the largest debtor in the developing world. What has changed, however, is the realisation that Latin America's giant is being left behind not just by its south-east Asian rivals but more humiliatingly by the rest of the Latin American continent.

There is a growing consensus that economic shock plans do not work and that it is time to find a long-term solution based on a "national understanding". The most important factor in this new thinking has been the transformation of neighbour and traditional rival Argentina from economic chaos to a country with a respectable 1.3 per cent monthly inflation rate and predicted growth this year of 5 per cent. By comparison, Brazil is expecting 19 per cent inflation this month and two more years without growth. While Brazil could shrug off the successes of Mexico, Venezuela and Chile, the example of Argentina, as a fellow democracy, is harder to stomach.

Brazilians are finally admitting the depth of the crisis, asking why they cannot produce political and business leaders and realising that their country is undergoing social unrest more insidious than revolution. Land invasions are a daily occurrence; kidnappings are too frequent to make the news; both Rio and São Paulo average more than one bank robbery a day; and teenagers in Sao Paulo are shot dead for their sneakers.

Brazil's per capita gross domestic product may have remained almost stable in the past decade while its neighbours experienced an average 2.2 per cent drop but its infrastructure is disintegrating. It also has one of the most uneven distributions of income in the world – 60 per cent of national wealth is concentrated in the hands of 1 per cent of the population.



The problem for the government is what to do to prevent the country lurching from one short-lived economic plan to the next. It is risking everything on a revision of the 1988 constitution to allow it to raise taxes and cut federal spending, following the recipe of the International Monetary Fund with which it is negotiating a $2bn standby loan facility.

The government believes a constitutional overhaul is necessary because under the present system it cannot sack federal employees and must pass on almost half of its tax revenues to states and municipalities. To change this, it needs a three-fifths majority in two votes in Congress, where it has little support. In an unsubtle effort to secure backing for its constitutional reforms, the government is offering to ease the repayment terms of the state governments' total $57bn debt to the Treasury. Mr Eduardo Suplicy, an economist with the opposition Workers party, complains: "The government cannot just shift the blame on to Congress and say we cannot govern unless you change the constitution."

The biggest hindrance to reform is the government's lack of credibility. Gone is the tanned hero who strode into office in March 1990 like Indiana Jones. Mr Collor's single bullet with which he pledged to kill inflation has landed spectacularly off-target, creating a mere lull in inflation and a 4.6 per cent contraction in the economy last year. In July the government issued Treasury notes to increase its internal debt despite saying last year that it would not do so.

As well as notching up two failed economic plans in 18 months Mr Collor has seen the resignation of six of his 12 ministers as well as an entire economics team, got through four heads of Petrobras, the state oil company which is Latin America's largest corporation, and three heads of Embraer, the state aeronautics company. Worse, for a man on a crusade, his administration is now mired in allegations of corruption involving friends, his brother and his wife. A year ago, Mr Collor was getting popularity ratings of 80 per cent; now he faces calls to resign.

Brazil remains one of the world's most protected economies with an average import tariff of 40 per cent, compared with Argentina's 11.5 per cent. Business remains cartelised and unco-operative with economic stabilisation plans. It blames a squeezing of credit and continuing restrictions on imports of computers and other electronic products for a failure to modernise and become more competitive, and lobbies to slow down or even halt the liberalisation process. Brazil also lags behind other Latin American countries in privatisation. Its first sale, of the country's biggest steel mill, once scheduled for tomorrow, has been suspended by a federal court ruling.

To the government's credit Mr Carlos Garcia, the administration secretary, says he has removed 111,553 bureaucratic regulations and cut 207,000 federal employees, though because of constitutional restrictions 47,000 of the federal workers are still being paid. Opposition politicians claim, however, that only 3,800 federal employees were actually sacked, the rest having left or retired.

The current lack of faith in the government means anything it tries to do has the wrong effect. Interest rates, raised recently to almost 1,000 per cent a year to reduce consumer demand, exposed the government's worries of spiralling inflation. Business, fearing the sixth price freeze in five years, responded by putting up prices across the board. Mr Marcilio Moreira, the economy minister, repeats almost daily, "I am an anti-shock minister", but a survey of chief executives by the American Chamber of Commerce found recently that only 11 per cent believed the government would not resort to drastic measures to control inflation. Mr Cesar Maia, an economist from the main opposition party (PMDB), says: "It's like playing chess drunk – none of their moves turns out as they intend."

If the constitutional amendment does not pass through Congress, or, as seems likely, survives in a watered down version, the government holds few other cards. Options include the creation of an independent central bank or copying the latest Argentine plan.

The government's most pressing reason for avoiding another quick-fix solution is that this would almost certainly entail the removal or resignation of the orthodox Mr Moreira as economy minister, and would jeopardise Brazil's negotiations with the IMF and creditor banks. Mr Moreira has been responsive to foreign demands to open up the country's stock market and to allow debt to be swapped for environmental protection projects. His proposal to restructure Brazil's $52bn commercial debt has been warmly welcomed by creditors and has paved the way for Brazil to return to the international capital markets for the first time in a decade.

But the clock is ticking against Mr Collor and inflation is moving inexorably upwards. The psychological barrier of 20 per cent a month, at which point a new plan is thought inevitable, could come next month. Inflationary factors include: September's six-monthly adjustment of wages and rents; the doubling of the minimum salary to which most wages are pegged; growing pressure to devalue the cruzeiro to help exports; the government's promised release of $1.8bn into the economy which was seized in a draconian assets' freeze in March 1990.

Although most Brazilians now recognise the scale of the country's crisis, Mr Collor comes late and enfeebled to negotiations with political and business leaders who still jealously guard their own positions. Economists fear that Brazil may yet have to see open hyperinflation before such groups are really prepared to put the country's interests before their own.

Paul Cheeseright says West Midlands engineering companies are seeking salvation in Europe

UK industrial heart with a German beat

As the British economy limps out of recession into recovery, some British engineering companies have discovered a lifeline in their growing inter-dependence on the German market. Nowhere is this more apparent than in the West Midlands, the centre of the UK automotive industry.

"The German automotive market particularly has helped us quite a lot and been a saviour for a lot of companies," notes Mr Edward Roberts, chairman of the West Midlands regional council of the Confederation of British Industry and chief executive of Heath Springs, an automotive components company.

Now, however, Germany's economy is experiencing problems. Rising inflation and higher interest rates, coupled with the costs of reunification are flattening internal demand. West German exporters, using British components and material, are finding it difficult to sell in lacklustre international markets. So the saviour looks as if it is suffering a temporary enfeeblement.

Yet, just as British companies are watching with some anxiety the tightening of the Germany economy, so German companies are participating in the faltering steps of the British recovery. According to a Warwick University study prepared for Coopers & Lybrand Deloitte, consultants, about 15,000 German companies trade with the UK. By last year there were about 950 German companies with UK subsidiaries.

Since 1985, according to the West Midlands Development Agency, set up to attract inward investment, half of all German investment in the UK has been in the region; it calculates that there are now 200 German companies with manufacturing operations in the West Midlands. Half the German arrivals in the area since 1986, noted the Warwick study, have been in the engineering and automotive sectors.

While German investment in the UK was gathering pace during the 1980s, British engineering groups were becoming increasingly drawn to the German market. The lesson of the UK recession of the early 1980s was that corporate survival could not be secured by relying on the domestic market. So automotive components suppliers, faced with a contraction of the British car industry, both increased direct sales into, and set up manufacturing subsidiaries in, European Community countries. The size of the German market made it an obvious target.

Thanks partly to the engineering sector, British trade with Germany grew to the extent that Germany supplanted the US as the UK's biggest customer. Total British exports to Germany rose from £11.1bn in 1989 to £13.1bn in 1990 and in the first five months of this year were £5.9bn. Within the total, British machinery and transport equipment sales rose from £4.8bn in 1989 to £5.9bn in 1990; this year such sales were £2.8bn in the first five months.

Consultants to Industry, part of the Engineering Employers' West Midlands Association, has noted that in the automotive sector, UK suppliers to Germany "have been successful across a wide range of equipment types, ranging from basic components in metal and plastic, to complete engines and transmissions, notably for the US-owned Ford and General Motors operations". It also observed that Mercedes, BMW and Volkswagen have purchasing offices in the UK.

One such successful supplier is GKN, one of the main UK players in the international automotive components sector. Its core product is constant velocity joints, which connect an engine to the wheels of a vehicle and cause the wheels to rotate. GKN is unequivocal about the German market: it is "all important".

GKN will not divulge precise figures about its German business but said that this year Germany would absorb one third of its total sales to car and commercial vehicle makers. Assuming the German market took a similar portion of its business in 1990 – when German car production held up better than Spanish, Italian or UK production – sales were probably worth about £335m to GKN out of a total group turnover of £2.04bn.

Smaller companies have also found Germany attractive. Frederick Cooper, an industrial holding company based in Walsall, has, in the past 18 months built up its German sales of seals, used in double-glazed doors and windows, from nothing to £1m a year. Sales of its pre-coated metal to Germany have accelerated over the past two years, said Mr Eddie Kirk, chairman, observing that "the coatings market has increased following (German) unification; the products go into low-value kitchenware".

But how long the engineering industry can continue to increase sales to Germany is a matter of doubt. GKN does not believe that the buoyancy of the German car market "will all fall away again", but it predicts a decline in German car production from 4.66m units in 1990 to 4.62m this year and 4.58m in 1992 before a slight recovery in 1993. The downward trend may already have begun in August, when German new car sales are estimated to have fallen by 20.1 per cent to 200,000 from 251,000 a year ago. Albert E Sharp, the Birmingham stockbroker which tracks the performance of the British components makers, believes their profits will be lower this year, then unchanged next.

Feelings of unease are not confined to the automotive sector. W Canning, the Birmingham-based company, has an electronics components distribution business in Germany, selling largely to medium-sized German engineering companies dependent on export markets. "This business has been quiet and shows every sign of continuing to be quiet," said Mr Ron Brown, Canning's finance director.

An upturn in the UK market for manufactured products would compensate for any German downturn, but such a trade-off looks doubtful. For the next few months British engineering companies will probably have to contend not only with a weak domestic market but also with a weakening German market.

LETTERS

South Africa must be robust

From Mr N J R J Mitchell.

Sir, In the US, the State Department is still having to tell various organisations that sanctions against Namibia should be lifted, because the country has been independent for for 18 months. Archbishop Huddleston's letter (September 20) shows that the Anti-Apartheid Movement is locked into the same sort of time warp.

The process of change in South Africa is irreversible, but a future democracy can only succeed, and indeed survive, if the economy is sufficiently robust to meet at least the minimum expectations of the majority. A necessary condition for generating growth in the economy is external investment and access to loans. This growth is needed to generate the wealth with which a future government can provide jobs, housing, education and health-care. ANC economists are awakening to the fact that there is a time lag between starting to stimulate growth and achieving results. Action is needed now if a future democratic government is to inherit a viable situation.

It is mischievous for external groups such as the AAM to continue to call for repressive measures in order to justify their continued existence. True friends would encourage all parties towards economic and political co-operation.

N J R J Mitchell
director-general,
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British Gas not a barrier to entry into UK market

From Mr Peter J Jones.

Sir, Your editorial, "Competition in Gas" (September 20) misrepresented the current state of affairs in the UK gas market and was somewhat misdirected in its criticism of British Gas. The gas regulatory framework established in the UK, as overseen by Ofgas, is rather remarkable in the European context and is perfectly adequate. This is evident from the progress made by the independent gas marketers over the past 1-2 years.

Notwithstanding (unjustified) historical criticism, BG provides a fuel aggregation and supply service with both advantages and disadvantages. However, with published price schedules and published transportation tariffs, there are, in reality, no barriers to the entry of independent companies to the UK gas market. As such, BG's inability to supply gas to potential power generators should be seen as a positive factor in stimulating gas supply competition. If power generators cannot get the gas they want from BG, they will have to go directly either to producers (as BG would have to do) or to independent marketers. In this way, power generation, the fastest growing sector of the UK gas market, will not be dominated by BG.

There are two main problems affecting the UK gas industry. First, potential gas producers and power generators have preferred to involve BG in the supply/demand process. While this probably reflects both project financing considerations and the greater degree of operational flexibility/supply security offered by BG, it is a sad reflection of the apparently unimaginative approach to gas purchases/sales adopted thus far by both independent power generators and UK gas producers.

Second, no-one believes that all or even a majority of the power generation projects mooted will proceed. This is not a problem related to the inability to secure gas. It has much more to do with the dubious financial viability of a project whose end-product may be sold at a price which may not recover costs.

This company has been a vociferous critic of BG in the past. In this instance, however, while one cannot deny BG's influence in the market, it is the industry in general which is in danger of missing an excellent commercial opportunity. Your editorial would have been far better directed at Brussels in an attempt to foster true competition in the European gas industry. Our view is that the present difficulties in the UK can be overcome if gas producers and gas purchasers are prepared to approach the problem with a degree of lateral thinking.

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Code heralds sea change

From Mr R Scott Moncrieff.

Sir, Robert Peston's revelations on the proposed Banking Code of Practice ("Banks' bill of rights", September 19) and in particular that banks will not pass on information on customers to other companies in the same group without express consent, holds enormous portent, not just for banks but for the whole direct marketing industry.

Such a move will force a sea change having frightening and immediate consequences for a large number of financial services companies. Research indicates that the majority of consumers would not "opt in" to necessarily vague offers of future product information, albeit for specific products or product groups; first, they often cannot foresee what their future needs may be and, second, a natural laziness would prevent many from completing a form.

While no-one could argue with one of the proposed code's governing principles – that of "acting fairly and reasonably in dealings with customers" – it would surely be preferable for banks, building societies and other financial institutions to follow existing industry guidelines on list and database practice, giving consumers the opportunity to "opt out" of receiving future information and offers they know they do not want to receive.

R Scott Moncrieff,
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Misleading numbers on auto industry productivity

From Prof Daniel T. Jones.

Sir, As the significance of the opening of the Nissan, Toyota and Honda plants in the UK dawns on those who have not made a study of the auto industry, there is intense interest in comparing the performance of these plants with the other plants in the UK. Many misleading numbers are already being quoted that are not comparable.

Our experience in carrying out the largest assembly plant survey ever undertaken across the world is that one has to make quite sure one specifies the precise activities you are comparing between plants (to include welding, painting and assembly, but not for instance seat build); to adjust for product differences (number of welds, size and option content); and to exclude absenteeism and relief time. One needs also to include not just direct labour but also related indirect and salaried hours. Only having done this can one assess the performance gap between the Japanese-owned and other plants.

There is no doubt that what the British management team at Nissan in Sunderland has achieved is incredibly impressive and world class. To my knowledge there are currently no other plants in the UK that take less than 35 hours to do what the average Japanese plant does in 16.8 hours, and the worst UK plants take 55 hours or more.

The harsh but simple truth is that those plants that are not able at least to double their productivity and quality over the next few years will be closed. There are no longer any excuses.

Prof. Daniel T. Jones,
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Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Gold security

From Mr W F Spanner.

Sir, Re the Bank of Credit and Commerce International collapse, the regulating authorities (Bank of England in UK, Federal Reserve Bank in the US) could prevent banking frauds by making it mandatory for banks to cover their deposits by a small percentage of bullion – say 1 per cent in gold.

This, incidentally, would strengthen national finances by increasing gold reserves and would also help gold-producing countries, such as the Soviet Union and South Africa.

W F Spanner,
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FINANCIAL TIMES
Monday September 23 1991

Mutual suspicion disrupts latest attempt by opposing sides to stop slide to civil war

Yugoslavs fight on despite ceasefire

By Judy Dempsey in Zagreb and **Michael Littlejohns** at the United Nations

MUTUAL suspicion dogged the latest attempted ceasefire between Croat and federal Yugoslav forces yesterday as shooting broke out in Zagreb, the Croatian capital, and federal army troops attacked the *eastern city of Osijek.*

Hours after Mr Franjo Tudjman, the president of Croatia, and General Vejiko Kadijevic, the federal defence minister agreed an "absolute and mutual ceasefire" to take effect at 3pm local time, sniper gunfire echoed through the streets of Zagreb and sporadic fighting continued in other parts of the republic.

Mr Tudjman said yesterday that negotiations on separating the warring parties would begin once the ceasefire was in place, adding that the talks would be aimed at implementing an EC-sponsored peace pact brokered last week by *Lord Carrington, the former* British foreign secretary.

The United Nations Security Council is expected to meet at foreign ministers' level on Wednesday or Thursday to consider the Yugoslav crisis, especially if the ceasefire again fails to hold, officials said last night.

France, current president of the Council, has proposed the session. The UN must though

'Carving out a greater Serbia'......................Page 3

be careful in approaching Yugoslavia's problems because *of the rule against interference* in the internal affairs of a member state.

But this could be over-ridden if it was determined that civil war in Yugoslavia would constitute a wider threat, to international peace and security. Then, a series of measures could be set in train, including an arms embargo or a ban on oil shipments.

In an attempt to secure the tenth ceasefire in three months Mr Tudjman, whose ill-armed forces lost control of Petrinja and other towns during heavy fighting with the federal army over the weekend, ordered the republic's national guard to *stop fighting. He also called for* the immediate restoration of medical, food, water and electricity supplies to all federal army barracks in Croatia which have been blockaded by Croatian national guardsmen for over a week.

The shooting in the Croatian capital, however, coincided with reports by Zagreb radio that federal army units and Serb paramilitary forces had fired artillery and mortar ammunition on Osijek, the largest town in Slavonia. Mr Milan Brezak, the deputy interior minister of Croatia, said he was "pessimistic" about the latest ceasefire. He added that *General Veljko Kadijevic, the* federal defence minister, "could not be trusted" to enforce any ceasefire.

In the inevitable confusion of battle it was unclear yesterday whether the snipers were Serb nationalists or Croatia's own far rightwing extremists such as the Croatian Party of Rights.

A greater Serbia, Page 3

UN prepares to vet Cambodia poll

By Michael Littlejohns at the United Nations

THE FIRST PHASE of what is likely to be the biggest-ever UN peacekeeping and election-control operation is expected to be launched in mid-November following the resolution of all the principal issues in the effort to end Cambodia's civil war.

UN officials were confident last night at the end of talks in New York that a peace agreement to end the 12-year conflict will be ready for signature in Paris next month, paving the way for an operation that could cost up to $6bn over two years.

The officials said it was vital to have a UN good offices mission, comprising military and civilian personnel, in place as soon as possible. The Security Council is expected to meet shortly to approve that proposal, a first step towards the establishment of a UN Transitional Authority in Cambodia.

Representatives of the US, Britain, France, the Soviet Union and China were joined by Indonesia's envoy – as co-chairman of the Paris conference – in talks at the UN on Friday that were expanded on Saturday to include the other members of the 19-nation Paris group, including Japan.

After the final New York meeting, Sir John Coles, the chief British negotiator, said: "There are no substantive difficulties remaining." He was confident a peace accord would be signed by ministers in Paris "about the end of October".

Mr Hun Sen, Cambodia's prime minister, said: "It only remains to sort out detailed arrangements on military matters." In general, what he termed the "complexities of the problem" had been settled.

The breakthrough came with his acceptance of proportional representation as the basis for UN-supervised elections to a national assembly in all 20 provinces. He had previously insisted on a "winner take all" system in the electoral districts. That was opposed by the insurgent leaders, including Prince Norodom Sihanouk.

Although the permanent members of the Security Council preferred a 100 per cent demobilisation of Cambodian forces before elections, there now is agreement on a 70 per cent demobilisation, with the remaining troops being disarmed and confined to barracks. Eventually, there would be either total demobilisation or absorption into a Cambodian national army.

OECD warns on Italian econony

By Robert Graham in Rome

ITALY'S high rate of inflation,high unemployment and large budget deficit are placing the economy increasingly out of line with the rest of its main industrial partners, according to the Organisation for Economic Co-operation and Development.

The warning appears in the OECD's annual survey of Italy, which is released today. It offers a relatively optimistic forecast of 2.5-3 per cent growth next year, with the current account deficit likely to shrink to 1 per cent of GDP.

But the organisation catalogues the stern challenge facing Italy. It "has entered the 1990s with one of the EC's highest rates of inflation and unemployment, and levels of public debt and budget deficits. These imbalances are mutually reinforcing."

Italy's 1992 budget is to be presented at the end of the month. The survey says a reduction in the exceptional level of public debt is only likely if the government is serious about cutting public expenditure.

In 1990, public debt surpassed the value of GDP for the first time since 1924 (except 1943). The gap between Italy's debt/GDP ratio and those of the other six largest OECD members is almot 50 percentage points – a record. The survey stresses Italy's burden of heavy interest payments, which can only be palliated by the recent shift from short-term to medium and long-term borrowing.

Editorial Comment.... Page 14

The OECD recognises that Italy has progressed in the fiscal field by joining the narrow band of the European exchange rate mechanism.

It also welcomed the government's commitment to reduce subsidies, privatise and curb transfers, especially pension payments. However, the survey expresses scepticism over the political will to implement reform.

The "soaring public pay costs" are of particular concern. In 1990, these increased 15.7 per cent in nominal terms, nearly twice as much as those in the industrial private sector.

"The configuration of stricter pay discipline in the private sectors and the lack of corresponding strictures in the public sector is a matter of concern for a country faced with high inflation and a huge budget deficit," the survey said.

In June, consumer prices were 7 per cent higher than the previous year and double the rates of Germany and France. The survey argues that wages could come down with greater flexibility in the labour market and for changes to central wage bargaining and a thorough reform of wage indexation practices. Labour flexibility would also help to trim structural unemployment – at 11 per cent twice the OECD average.

Car sales quotas divide EC and Japan

By Kevin Done, Motor Industry Correspondent

THE European Community and Japan remain divided on key issues concerning Japanese car sales in Europe, including the level of Japanese vehicle production within the EC and the sharing of future growth or decline in demand for new vehicles.

According to previously unpublished statements, produced as appendices to the main EC/Japan agreement on trade in cars in Europe which was reached at the end of July, the Japanese side has refused to recognise either:

- the Commission's "working assumption" that Japanese transplant production (vehicles built at Japanese plants located in Europe) would reach only 1.2m by the end of 1999, or,
- the Commission's "internal declaration" that EC producers should benefit from one-third of the growth in the EC new vehicle market in the 1990s, and that Japanese producers should cut their direct vehicle exports from Japan in the case of demand not meeting earlier forecasts.

In the deal reached at the end of July, entitled "Elements of Consensus", Mr Frans Andriessen, European commissioner for external affairs and Mr Nakao, Japanese minister for international trade and industry, agreed that there would be "no restrictions on Japanese investment" in the EC, and that there would be "free circulation" in the EC for European-built Japanese vehicles.

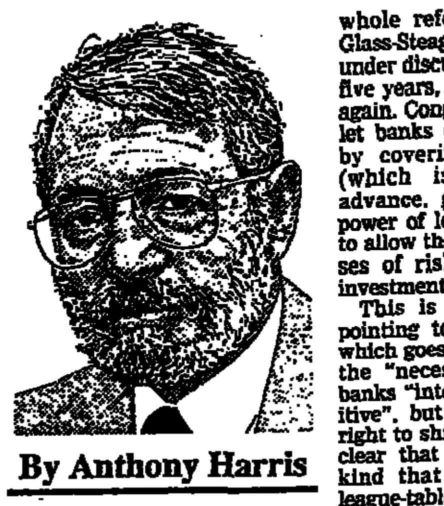
An appendix to the main agreement, hitherto unpublished, contains further declarations in which Mr Andriessen seeks backing from the Japanese for the 1.2m transplant figure.

He tells Mr Nakao: "During these negotiations, the Commission has based itself on various working assumptions concerning the automobile market developments in the future including an estimate of 1.2m vehicles" for the annual sales volume by 1999 of European-built Japanese vehicles in the EC.

In a formal reply Mr Nakao refuses to take up the transplant output figure of 1.2m vehicles and refers instead to Japanese direct exports to the EC having been forecast after "taking into account total demand and the EC manufacturers' supply capacity as a whole".

'Compromise', Page 4
Editorial comment, Page 14

The markets wake up with a yawn



By Anthony Harris

"I WOULD draw you attention to the significance of dog in the night." "But the dog did nothing in the night." "That is the significance of the dog in the night."

Sherlock Holmes (with apologies to Barry Riley) is relevant *again. Last week we had some* large, old-fashioned bids, but the watchdogs in the market scarcely stirred, and that is the significant point. The dog, if you remember, did not stir because he knew the footsteps that disturbed him; and the market did not stir because it has been discounting some bids before it saw any.

It has just been a matter of rounding up the usual suspects. This does not mean that the bids are of no significance. Studies of bids have shown only questionable benefits to the bidder or to the economy. They also show that there is always a benefit to the shareholders in the victim company, who get a share at least of the value the bidder hopes to unlock – and on occasion, all of it and more. This can be just as true, as we were reminded recently with Etam, of failed as of successful bids. Bids, then, ought to be good news. In that case, why the yawn? Either because the market was only saved from further falls by the bids, or because the market doubts that there are any more where those came from. Both statements probably have something in them. The optimism of the chancellor and of many profits forecasts is getting stale (and a bit implausible), so the market has been sullen about other good news, notably the fall in interest rates. It has got ahead of itself, like the housing market. It needs a steady flow of better news simply to stand still.

The corporate troubles that are still appearing are concerned with over-valued assets rather than under-used ones, which is hardly inviting

However, future good news is more likely to be about the economy than about bids. In these days of debt aversion, there is bound to be a distinct shortage of bidders, and those that do appear are likely to be more cautious about paying fancy prices for goodwill and hope. That is one reason why the habitual bidders had been rather slow to move. There is also, after the long shake-out, a shortage of ill-managed companies to tempt them.

The corporate troubles that *are still appearing are* concerned with over-valued assets rather than under-used ones, which is hardly inviting. Where management is thought to be due for replacement, the investing institutions and the banks now feel forced to move, rather than to wait for a bidder to spare them the unpleasantness, and so leave shareholders to soldier on. Wasserstein Peralla showed this again with Isosceles last week, and history will surely go on repeating itself with other debt-laden companies. In short, these are not accidents, but a natural result of risk-averse lending and a squeeze on profit margins.

How far do prices now reflect these sober realities? Sluggish prices suggest some awakening, but I suspect that a lot of investors are inclined to snuggle back under the covers rather than take measure of the grey weather outside. The measure of this is in the old-fashioned tone of most of the brokers' comment. Most of this still seems to assume that normal service will be resumed, though not perhaps as soon as had been hoped. A solid discussion of a world in which easy credit, which has fuelled all the booms of the last three decades, may not be seen again for another two or three, would be more impressive.

* * *

The banks are not the only people who are now risk-averse. The US Congress is showing an acute appreciation of what has changed in its work on the official proposal to modernise the US banking system. This is only in the sub-committee *stage at the* moment, and there is time for compromise before the end of next month, when the two houses will try to reconcile their proposals. It already seems clear, though, that what will emerge will be far short of the Administration's hopes – so far, perhaps, that the whole reform and repeal of Glass-Steagall, which has been under discussion for more than five years, may be deferred yet again. Congress seems ready to let banks diversify their risks by covering more territory (which is itself a major advance, given the lobbying power of local banks), but not to allow them to take new classes of risk, in insurance of investment under-writing.

This is all sharply disappointing to the White House, which goes on vapouring about the "necessity" to make US banks "internationally competitive", but Congress is surely right to shrug this off. It is not clear that competition of the kind that can be shown in league-tables is necessary, or even desirable, where banking is concerned.

The Fed, which used to bang its drum very loudly for reforms of this kind, is now making no more than routine gestures of acceptance, and for good reason. During the banking troubles of recent years, its research staff has invested enormous effort to devising models of possible banking troubles. Only one of them proved reliable, according to Manuel Johnson, the recent vice-chairman of the Fed, who was passing through London last week.

The one infallible sign of trouble was the growth rate of the bank. The faster they grew, the harder they fell. This ought not to be surprising, since academic studies have always suggested that a healthy banking system should grow fairly closely in step with the real economy, but it is still a surprise, after the gung-ho 1980s, to find that it really is as simple as that. It is surely a lesson which all the central banks will take to heart once they turn to discussing future policy, rather than the blame for past scandals.

Academic studies have always suggested that a healthy banking system should grow fairly closely in step with the real economy

This is good news for the long-term conquest of inflation, and for avoiding future waste of what look like increasingly scarce resources; for the same *reason, it is bad news for* speculators. It is bad news especially for those who still hope that the rubble of debt and ill-advised investment left over from a decade of fatuous optimism will be cleared up by *inflation, or a surge in the real* economy, as happened last time, and the time before that.

US ready to shift on IMF membership

Continued from Page 1

transfer of funds from one spending category to another.

At the summit of the Group of Seven industrialised nations before the failed coup, the US proposed "associate membership" of the IMF for the Soviet Union in a successful effort to halt president Mikhail Gorbachev's campaign for $20bn of financial aid.

Last month Mr John Major, British prime minister, persuaded Mr Bush to support accelerated "associate membership".

The US Treasury has argued that the issue unnecessarily distracts from practical steps such as IMF and World Bank technical assistance.

The Treasury is also concerned about Soviet payments difficulties, and the threat of a debt rescheduling demand.

Giscard warns on immigrants

By William Dawkins in Paris

MR Valéry Giscard d'Estaing, former president of France, ignited a political furore at the weekend over immigration.

He proposed tougher nationality rules, warning of an immigrant "invasion" and calling for a national referendum on whether more importance be given to "blood rights" as a criterion for French nationality, and less to residence rights.

This is the first time that Mr Giscard, president of the conservative UDF party and one of the two most plausible possible right-wing candidates for the 1995 presidential election, has openly advocated a tough line on immigration, the main electoral asset of the extreme-right National Front.

He is the latest and most senior opposition politician to call for a clampdown, the electoral value of which was underlined in an opinion poll by Sofres, published next to Mr Giscard's article in the right-wing newspaper Le Figaro, which showed 22 per cent support for the anti-immigration line of Mr Jean-Marie Le Pen, the Front president.

Various politicans across the spectrum have flirted with the Front's line, but Mr Giscard is the most senior opposition figure to bid for the initiative on immigration.

Mr Giscard's move has reinforced the importance of immigration in the battle, now beginning, for the regional elections next March and parliamentary elections in 1993. Rising unemployment, sporadic urban riots and the lighter internal frontier controls in Europe have led to concern.

Yet the number of foreigners legally in France has remained roughly stable at an average of 3.6m (or 6.3 per cent of the population) over the last decade, Insee, the state statistics agency reported.

Giscard d'Estaing: urged tougher nationality rules

Tbilisi television station held

Continued from Page 1

resignation, claiming he is a dictator who has failed to deliver election promises, and is damaging Georgia's attempts to gain international recognition of its independence.

Yesterday, 33 people were injured in fighting in the city. Several thousand government supporters tried to dismantle opposition barricades and then drove the opposition out of the former Institute of Marxist-Leninism, forcing it to regroup at the television centre.

The rebels are unable to use the transmitter as lines have been blocked. Georgian television remained in the control of Mr Gamsakhurdia, broadcasting directly from a studio in the Supreme Soviet building linked to a television mast still in government hands.

Yesterday it showed only still pictures of Tbilisi, with occasional bursts of Georgian folk music, and interrupted by readings of presidential decrees.

Outside the government building and throughout the city the strength of Mr Gamsakhurdia's support was clear.

"He saved us from Communism, he gave Georgia its independence," said one engineer.

At the television centre, his opponents were not afraid to compare Mr Gamsakhurdia with Stalin, Ceausescu or Saddam Hussein.

Mr Georgi Hoshtaria, the former foreign minister who resigned three days before August's failed coup in Moscow – which Mr Gamsakhurdia is claimed by his opponents to have supported – said: "I would not say he is mad, but there is something very strange about him."

Mr Gamsakhurdia, who was elected president in May with 87 per cent of the votes, has since closed opposition newspapers, suppressed parliamentary opposition and seized control of Georgian radio and television. He recently suspended classes at all institutes of higher education, apparently to hamper support for the democratic movement.

Brazil's flotation halted

Continued from Page 1

gramme, admitted yesterday that even if the sale did now go ahead there would be a serious lack of credibility and considerable fear that it might later be annulled.

The official added that the Usiminas flotation price was likely to be lower than expected, particularly if the court ruled that foreign debt instruments might not be used.

BNDES estimates that there is $45bn in eligible foreign debt and has set a discount rate of 25 per cent to make the equity swap attractive to creditor banks.

The main group in the bidding for Usiminas is J.P. Morgan and Belgo Mineiro, a majority Belgian-owned steel group. Citibank is also expected to participate. Other foreign interests have withdrawn because of uncertainties over the programme.

Usiminas is Brazil's most profitable steel company with a projected profit of $150m this year. It is the first of 27 companies due to be sold by the end of next year to raise a a target of $18bn all of which by law will go towards reducing the country's debt.

Officials admit that failure of the flotation would put the whole programme in doubt at a time when the appetite of international investors for Brazilian equity, and for Latin American investments generally, is sharpening.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	28	82
Algiers	S	32	90
Amsterdam	F	15	59
Athens	S	28	82
Bahrain	S	34	93
Bangkok	F	33	91
Barcelona	S	27	81
Beirut	F	26	79
Belfast	F	11	52
Belgrade	S	25	77
Berlin	F	25	77
Biarritz	F	24	75
Bombay	F	32	90
Bordeaux	F	24	75
Boulogne	R	17	63
Brussels	C	14	57
Budapest	F	19	66
Buenos Aires	F	20	68
Cairo	C	29	84
Cape Town	S	19	66
Caracas	C	35	95
Casablanca	F	26	79
Chicago	C	12	54
Cologne	F	22	72
Copenhagen	T	14	57
Corfu	S	27	81
Dallas	S	16	61
Dublin	C	14	57
Dubrovnik	S	26	79
Edinburgh	R	12	54
Faro	S	27	81
Florence	F	27	81
Frankfurt	S	21	70
Geneva	S	26	79
Gibraltar	F	26	79
Glasgow	F	13	55
Helsinki	F	11	52
Hong Kong	F	29	84
Innsbruck	S	21	70
Inverness	F	12	54
Islamabad	F	32	90
Istanbul	F	22	72
Jakarta		–	–
Jersey	S	17	63
Johannesburg	S	23	73
Lima	F	20	68
Lisbon	S	25	77
London	C	18	64
Los Angeles	S	18	64
Luxembourg	F	22	72
Madeira	S	25	77
Madrid	S	26	79
Majorca	S	29	84
Malaga	S	28	82
Malta	S	29	84
Manchester	F	14	57
Manila	R	30	86
Melbourne	C	12	54
Mexico City	C	23	73
Miami	S	26	79
Milan	F	25	77
Montreal	S	5	41
Moscow	C	8	46
Munich	S	27	81
Nairobi	F	26	79
Naples	F	27	81
Nassau	C	31	87
New Delhi	S	33	91
New York	S	12	54
Nice	S	26	79
Nicosia	S	27	81
Oporto	S	22	72
Oslo	R	12	54
Paris	R	15	59
Peking	S	25	77
Prague	S	24	75
Reykjavik	F	7	45
Rhodes	S	26	79
Rio de Janeiro	F	30	86
Rome	F	27	81
Salzburg	S	24	75
San Francisco	C	13	55
Seoul	F	25	77
Singapore	F	31	88
Stockholm	F	15	59
Strasbourg	T	18	64
Sydney	S	18	64
Taipei	R	27	81
Tangier	F	29	84
Tel Aviv	F	27	81
Tenerife	F	26	79
Tokyo	F	25	77
Toronto	S	4	39
Tunis	S	32	90
Valencia	S	29	84
Venice	F	24	75
Vienna	S	21	70
Warsaw	S	19	66
Washington	S	11	52
Zurich	S	24	75

Temperatures at midday yesterday C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

Monday September 23 1991

INSIDE

Anglo United wants to buy British Coal

By Robert Peston and Roland Rudd

ANGLO UNITED, owner of the Coalite smokeless fuel business, has proposed that it buy British Coal, the coal producer which the UK government plans to privatise should it win the next general election.

The offer, which is being examined by the Department of Energy, proposes solutions to the enormous difficulties of a privatisation outlined by N. M. Rothschild, the merchant bank advising the government on a sale of British Coal.

A confidential report by Rothschild, recently passed to the UK Department of Energy and the UK Treasury, warns there will only be a "remnant industry" with an "unpredictable income earnings stream" if British Coal does not sign supply contracts with its main customers, National Power and PowerGen, the electricity generators, by 1992.

Current contracts with National Power and PowerGen, which take most of British Coal's output, expire in March, 1993. Rothschild has told the Treasury that if British Coal does not sign medium-term contracts by 1992, up to 50 pits would have to close and 45,000 miners would lose their jobs. The corporation would be left with no more than 10 pits and fewer than 15,000 miners.

Rothschild has in effect presented two unpalatable choices to the government; either it must intervene in the commercial activities of the recently-privatised electricity generators, or preside over a massive programme of mining lay-offs.

Apart from Anglo, it is understood that Hanson, the conglomerate, and RTZ, the mining group, have both told the government they would be keen to buy all or part of British Coal. But Anglo has told the government it is prepared to take control of British Coal even if no contracts with the generators have been signed. It would also be prepared to take on the responsibility for closing pits, rather than forcing the government to streamline the industry prior to privatisation.

Anglo has been working with consultants on the possible acquisition of British Coal since 1989, when it bought Coalite for £478m ($807m). A purchase by Anglo could take place as soon as next spring. Under its detailed proposals, a new company would be created, British Coal PLC, which would acquire both Anglo and British Coal's assets by making a massive issue of shares. In effect, this would be a reverse takeover of British Coal by Anglo, although it would not be taking on all British Coal's liabilities.

Many of the new shares in British Coal PLC could be sold to the public, satisfying the government's preference for widening share ownership through privatisation. The share issue would also minimise the debt burden in the merged businesses. British Coal's huge potential liabilities – for deafness and other industrial injuries, subsidence and reclamation of disused mining sites – would not be acquired by Anglo but would be vested in a new trust, which would remain in the public sector.

Rothschild has been compiling a list of options on how to sell British Coal which it will give to the government by the end of the month.

Holmes Protection faces an improbable coup

Norma Cohen and **Jane Fuller** explain a marvel

This is the story of a most improbable boardroom coup, led by a man who, aside from his role at the company in question, was completely unknown until early last summer to the institutions now backing him. His investment advisory company faces financial difficulties of its own and his former business partner was the subject of civil claims by his former employer.

Yet, Holmes Protection Group – the London-listed, but US-based security group – has so stunningly failed to win the confidence of its institutional investors that the improbable coup appears on the verge of success. Tomorrow, shareholders will decide whether to accept proposals from Mr Eric Frank Kohn, chairman of Barons Financial Services (UK) – and owner of 0.53 per cent of Holmes – to elect a board which will appoint him acting chief executive officer and vice-chairman.

How Mr Kohn came near to success is a marvel, even to some of those institutions which now say they are likely to support him. Yesterday, Mr Kohn said 43 per cent of shareholders would vote with him and that more support was pouring in daily.

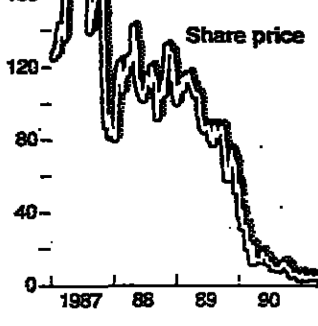
A recent Dun & Bradstreet report on Mr Kohn's company, Barons, gives it a rating of N4. This indicates "a financial strength which is negative and an overall condition which is poor". The report describes the company's trend as "down" and urges that guarantees be sought by those extending credit.

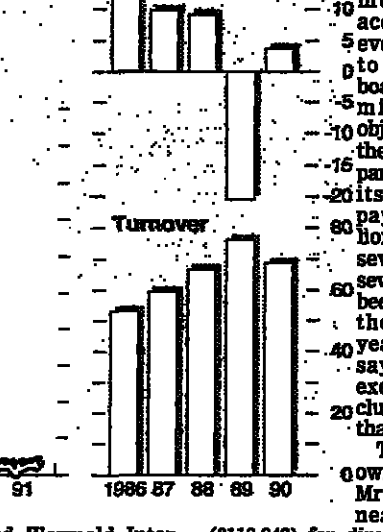
Meanwhile, Mr Kohn's former partner in Barons, Mr Brian McHugo, has been the subject of civil suits from Greyhound Dial Corp. Mr McHugo had been head of Greyhound's Swiss-based financial and leasing subsidiary. He was accused of having made improper loans to shipowners. In March 1990, Mr McHugo was the subject of a so-called Mareva injunction freezing his assets world-wide.

This, Mr Kohn said, was the first he knew of his partner's activities, although he says he had heard vague unsubstantiated talk of problems before he entered the partnership. Upon learning of the Mareva, Mr Kohn says he immediately took steps to sever the relationship and by September 1990, Mr McHugo was no longer associated with Barons.

Mr Kohn acknowledged that Swiss Bank Corp is still seeking roughly SFr1m ($680,000) from his firm's Geneva-based parent, half of which was guaranteed by himself, the other half by Mr McHugo. But despite these difficulties, Mr Kohn has been able to line up as board candidates Sir Ian MacGregor, former chairman of British Coal and British Steel, and Ms Barbara Thomas, a former US Securities and Exchange Commissioner. Mr Kohn said he only met Sir Ian four months ago through a mutual friend. Ms Thomas was an acquaintance from Bankers Trust where, between 1986 and 1988, he headed their Swiss-based corporate finance department.

ERIC KOHN





Sir Ian says he has thrown his support behind the group partly because he had heard of Mr Kohn's reputation as a deal-maker in corporate finance. But mostly he did so because "Mr Kohn is the guy who identified for a large number of investors the problems at the company and its management".

That sentiment is echoed by several of Holmes' largest institutional shareholders who had watched the company's share price slide to ¾p last May from a high of about 190p.

Mr Kohn's latest assault on Holmes Protection's board began at its annual general meeting in London in June when he announced that a group of investors backing him had purchased a 14.7 per cent stake in the company. That stake had been held by Tyco Investments – formerly Australia-based Wormald International. The total holding of the group backing Mr Kohn consists of 27.2 per cent of the company. It consists of Scottish Amicable, the French-based insurer AGF, a Swiss investor, Mr Pierre Besuchetand, and three other shareholder groups who Mr Kohn declines to identify. Mr MacGregor also has a small holding of 200,000 shares.

But Mr Kohn's involvement with Holmes began much earlier. In spring of 1989, Mr Kohn said, Wormald retained him to help sell their stake in the company. Wormald, concerned about Holmes' performance, sought a representative on its board and asked the directors to accept Mr Kohn. Mr Kohn says he took his non-executive directorship very seriously. Acting as a self-appointed corporate gadfly, he began questioning a variety of the company's activities, including its method of accounting. He eventually came to head the board's audit committee. He objected loudly to the way the company remunerated its executives, paying out millions of dollars in severance pay to several who have been sacked over the past few years. He also says he asked executives to fly club class, rather than first class.

The company's own records show Mr Kohn was paid nearly $200,000 (£118,343) for director's fees and expenses in the period until November 1990. Of that, $58,000 was paid in fees to Barons while another $45,000 was for airline tickets.

According to Mr John Flack, the company's current chief executive, the board found Mr Kohn's abrasive manner impossible to work with. Mr Kohn says the other directors regarded him as a nuisance because he so often pointed out their errors.

For this, Mr Kohn apparently won the admiration of several key institutions who say his warnings often proved correct. For instance, he warned that asset sales as part of a loan restructuring agreement were too ambitious. Also, he warned that a prospective purchaser of a subsidiary did not have the funds to pay for it.

However, according to Mr Flack, Mr Kohn proved so disruptive that Wormald was asked to replace him on the board, which it did in October 1990. By the time Mr Kohn left, Holmes had found a chairman who had the support of the institutional shareholders, Mr Thomas Mayer, of Thorn EMI.

After Mr Kohn left the board, the company's fortunes went from bad to worse. It is currently in default on about $64m in debts and is asking shareholders to approve a restructuring that requires the sale of all businesses except the New York-based operation. It will also give lenders a 33 per cent stake in Holmes in exchange for a write-off of $20m in debt. Last week it reported a sharp drop in turnover for the first six months of this year and a net loss for the period and said customers were still cancelling contracts. Yesterday it said it had incurred after-tax losses of 2p per share for the six months ended June 30, compared with year-ago earnings of 4p per share.

However, if 1990 earnings are adjusted to reflect the sale of two subsidiaries, earnings would have been nil per share. The pre-tax loss, which included a $500,000 severance payment to the company's former joint chief executive, was $1.39m compared with a year-ago profit of $308,000.

Mr Kohn concedes that he has no formal business plan to reverse the fortunes of Holmes other than a promise to achieve better terms from lenders and to improve marketing efforts. Institutions, while saying they believe that Mr Mayer is on the right track, criticise him for failing to come to grips with the company's problems quickly.

For his part, Mr Mayer concedes that "with hindsight," he should have kept in touch with institutions more closely.

Maus Frères asks adviser to plan sale of assets

By William Dawkins in Paris

MAUS FRERES, the Swiss family-owned holding group, has asked Goldman Sachs, the US investment bank, to advise it on possible asset sales, including that of Au Printemps, the Parisian stores group it controls.

However, the Swiss company has not yet made a decision on which assets, if any, to sell, said a spokesman for Goldman Sachs. Disposal of part or all of Au Printemps, valued at just over FFr6bn ($1.04bn) on the stock market, was just one of the options facing Maus Frères, he emphasised.

Speculation that a disposal was in the offing intensified last month when Maus Frères' US retailing subsidiary, Bergner, sought legal protection from its creditors pending a rescheduling of $900m worth of Bergner debt, agreed by a consortium of US and French banks earlier this month.

Apart from its own stores, Au Printemps' main assets are a 54 per cent stake in the La Redoute Catalogue mail order business, which in turn owns Empire Stores, the UK mail order business acquired in May.

Au Printemps' profits fell 42 per cent last year because of a decline in exceptional gains. Maus Frères owns 42.2 per cent of the French group's ordinary equity, but 56.4 per cent of the voting rights.

Pinault, the acquisitive French timber, electrical distribution and trading group, has expressed an interest in making an offer, but had not launched a formal bid.

Over the past month speculation has produced a strong rise in Au Printemps' share price. Pinault's share price, meanwhile, dropped sharply at the end of last week.

Japanese trade surplus returns to haunt us

Economics Notebook
By Steven Butler in Tokyo

The sharp rise of Japan's trade surplus this year, after four years of steady declines, has all the ingredients for the remake of a horror movie classic.

The chief question on all the critics' (economists) lips is: after rising from the dead, how soon can the monster be killed off again? The answer: the *THING* has power to spare.

The resurrection of the surplus, which was 68.4 per cent higher in August alone compared with last year, has been attributed to many "special" factors, such as the strength of the yen or the fall in oil prices.

Yet the combination of enough special factors can add up to a trend that could be very persistent and extremely annoying to Japan's trade partners.

The relentless rise of Japan's trade surplus in the last decade to a peak of $82.7bn (customs cleared) in 1987 was the source of fierce international arguments that led Japan finally to adopt strong, and successful, measures to reverse the trend.

Last year as a result, the same figure declined to just $52.1bn.

Yet this year these good efforts appear to have come unravelled.

Japan's trade surplus is soaring again, and if some economists are right, all the old records will soon be broken, perhaps as soon as next year, when the trade surplus by some estimates may approach $100bn.

The return of the trade surplus has raised questions about what, if anything went wrong, and whether the surplus will really prove as persistent as some economists project.

Following the 1985 Plaza Accord by which the industrial nations agreed to try to raise the value of the yen, the Japanese government adopted broad measures aimed at stemming the trade surplus.

Domestic interest rates were lowered to stimulate demand, financial markets were liberalised and trade barriers dismantled, imports were promoted, and Japanese companies were encouraged to invest abroad so that local production could replace Japanese exports.

As a result the surplus fell from 4.7 per cent of gross national product in 1987 to 2.2 per cent last year.

Yet plenty of evidence is now emerging that the restructuring of the Japanese economy may not have been as thorough as hoped for.

The Japan Development Bank, for example, last week issued a report on the changing demand patterns that lay behind the rise in imports to Japan during the period.

The report found that demand for imports during the last few years of the decade was increasing at roughly twice the pace of the increase in national income.

Early in the decade, imports and national income were increasing at the same pace. In economists' vocabulary, in other words, the income elasticity of demand for imports had roughly doubled.

This in itself seems to have been the sort of restructuring that the government hoped to bring about, yet a look beneath the figures raises serious doubt.

In fact, the only category of imports that saw an increase in the income elasticity of demand was fossil fuels.

Japan had let slip its much vaunted programme of saving energy. True Japan was also importing many more manufactured goods, such as luxury cars, during the period.

These imports grew roughly three times faster than the growth in income, yet this ratio itself did not increase compared with earlier in the decade.

The income elasticity of demand for imports for the entire economy increased as the economy grew, because manufactured items accounted for an increasingly large share of imports.

In other words, the rise in imports turned out to be mainly a function of economic growth rather than any fundamental restructuring of demand.

The author of the report concludes that the demand ratio for manufactured goods would probably have declined without government import promotion efforts.

More worrisome, he says that maintaining momentum for increasing imports will be difficult.

The report none the less finishes on a reasonably optimistic note on the question of the trade balance.

After spelling out a range of plausible assumptions about economic growth abroad, oil prices, income and price elasticities, the report concludes that the trade surplus would be roughly unchanged in 1995 compared with 1990, at $64bn in real terms (on a balance of payments basis), provided Japan's economic growth is maintained at 4 per cent.

This would drive down the surplus as a ratio of GNP to 1.2 per cent.

A half-point decline in the growth rate in that year would add $13bn to the surplus.

The report has, none the less, been partially overtaken by events because Japan's rate of economic growth has slowed sharply to an annualised rate of just 2 per cent in the second quarter of the year compared with the first quarter.

The slower rate of growth depresses demand for imports and gives Japanese manufacturers a strong incentive to seek overseas markets. And although the yen value of exports is not terribly inspiring, the dollar values that are watched by trade partners are still perky.

For example, the yen value of exports rose by just 1.6 per cent in August compared with a 10.4 per cent rise in dollar values.

Between the rise in the yen, the slowdown in the domestic economy, the low price of oil compared with last year, and an expected revival of demand from the US, Japan is set for a string of monthly jolts as trade statistics are announced.

The question is how long they will persist.

Although the government still believes the economy will grow at 3.8 per cent in the year to the end of March, many private economists are lowering estimates to around 3 per cent. There are also widespread predictions of further rises in the value of the yen.

This increases the dollar value of exports, but is unlikely to dent seriously the competitiveness of Japanese exports because of the high rate of manufacturing investment of recent years.

Mr Stephen King, an economist at James Capel, argues that the effort to curb the trade surplus by stoking domestic demand was always doomed to failure. Only a drastic reduction of personal savings in Japan that could be encouraged, for example, by loosening controls on house construction, is likely to work, he says.

Since a big sell-off of agricultural land is not even on the political agenda, sit back for many more thrills to come.

Chairman of BAe under pressure to step down

By Paul Betts, Aerospace Correspondent

PROFESSOR Sir Roland Smith, chairman of British Aerospace, is coming under increasing pressure from non-executive directors and City institutions to step down.

Sir Graham Day, head of BA's Rover car divisions and chairman of Cadbury Schweppes, is believed to be their favoured successor.

However BAe responded yesterday to reports of growing City disenchantment towards Professor Smith and a possibility of a boardroom coup against him with a wall of silence.

But in recent days there has been a groundswell building up for Professor Smith's removal, following BAe's worse-than-expected financial results and the badly mishandled launch of a £432m ($730m) rights issue.

Several names have been mentioned as possible successors, including those of Sir John Nott, the former defence secretary, Sir Allen Shepperd, the chairman of Grand Metropolitan, and Sir Graham.

But there are growing indications that, should Professor Smith step down, a candidate from within the company, like Sir Graham Day, is likely to be the preferred solution.

However, many City and aerospace industry officials expect Professor Smith to put up a tough fight to stay. One source said that the professor was likely to fight to defend his reputation.

The company, one of Britain's biggest manufacturing groups, has been hit by the downturn in all its core businesses. The company is currently forecasting a sharp fall in pretax profits this year to £150m from £376m last year.

COMPANIES AND FINANCE

Talks on several £100m non-core disposals well advanced

Hawker prepares to fend off BTR

By Tracy Corrigan

HAWKER SIDDELEY, the UK engineering group which is fighting a £1.5bn hostile bid from BTR, is close to selling its rail division.

Negotiations over disposals in several non-core sectors of the business are well-advanced, according to a source close to the company. Several disposals, each totalling over £100m, could be completed in the next few weeks.

One of the disposals under negotiation is therail division with annual sales of over £220m and profits of £13.6m in its last financial year. Other disposals are expected to be in the general engineering area. If they are completed quickly, this would go some way to scotching criticism of Mr Alan Watkins, chief executive, for failing to make sufficient headway in a much-needed restructuring of the company, which he joined from Lucas Industries in 1989.

The five year plan he was to implement after the company's poor performance during the 1980s, was interrupted when the recession hit Hawker's disposal programme. Mr Watkins said on Friday that he was "not about to drop this programme half-way through."

However, BTR criticised the current Hawker management for failing to "unlock Hawker Siddeley's potential," adding that there was little prospect of the management so doing in future. "Hawker Siddeley shareholders have endured their company's under-performance for a decade", said Sir Owen Green, chairman of BTR when the bid was launched on Friday.

Meanwhile, speculation that a further bidder might enter the fray - either another hostile bidder, or a friendly "white knight" - continued during the weekend.

Sources close to Hawker said that a couple of continental European companies, with which Hawker has existing commercial arrangements, were "obviously interested" in the company.


Lydia Van der Meer

Alan Watkins: current plans may scotch criticism

BTR's offer values Hawker at 727p, and includes a full cash alternative of 700p a share. Hawkers share price jumped 118p to 758p on Friday.

BTR is one of a number of large conglomerates to bid for companies last week. Hanson agreed to buy Beazer, the international building materials group, last Monday. A day later, another conglomerate, Williams Holdings made a hostile bid for Racal Electronics, the data communications and security group.

MCC sells US offshoot to Thomson for £56.5m

By Peggy Hollinger

MAXWELL Communications Corporation, the heavily-indebted publishing and media group, is selling its loss-making US business and reference arm to Thomson Professional Publishing for £56.5m in cash.

Proceeds from the sale of Maxwell Macmillan Professional and Business Reference Publishing, formerly known as Prentice Hall, will be used to reduce MCC's £1.35bn debt.

Mr Robert Maxwell, MCC chairman, said he was satisfied with the terms of the deal. He added that the sell-off programme continued to be successful despite a depressed US market.

MCC plans to announce additional disposals in the near future as part of a demerger of US assets to enhance shareholder value. Possible candidates include the 56 per cent stake in the language school, Berlitz, and MCC's Collier encyclopaedia businesses.

The US operations – which include publishing house Macmillan – will be floated off, leaving a much smaller UK business.

US activities account for 70 per cent of the group's assets and 90 per cent of operating profits. An MCC spokesman said the reference division had been a very small part of US interests.

MCC is committed to repaying its bankers $750m by October 1992. Mr Maxwell said recently the group would pay that tranche ahead of schedule. A further $1.06bn is due to be repaid in October 1994.

Earlier this year, MCC raised £446m through the sale of Pergamon, the UK scientific publisher, to Dutch publishing group, Elsevier.

MCC acquired Prentice Hall, which publishes reference books for lawyers, accountants and human resource specialists, in 1989 for $40m. In the year to March 31, the business made an operating loss of $3.5m on turnover of $54m.

Thomson Professional Publishing is a subsidiary of Thomson Corporation, the Canadian-owned publishing and travel group.

Williams in advanced talks on buying Rockwell arm

By Peggy Hollinger

WILLIAMS Holdings, the industrial conglomerate which last week launched a hostile £701m bid for Racal Electronics, said yesterday that it was in advanced talks on buying the US fire protection arm of Rockwell, the California electronics and aerospace group.

The deal, which would be worth between $50m and $60m (£35m) in cash, is expected to be signed within the next two weeks. A company spokesman said Fire Eye, which makes heat controls for industrial boilers, was a natural fit into Williams' existing businesses. He added that Fire Eye was a market leader in the US.

The acquisition would have a negligible effect on turnover, the company said. Last year Fire Eye made profits of about £6m.

About 40 per cent of Williams sales are in the US, and the latest acquisition is part of the company's on-going strategy of expanding share in that country. "It is a strong market place," the spokesman said.

The news came as Racal Electronics maintained a firm silence on the hostile Williams bid. A spokesperson for Racal denied the group was considering a management buyout at this stage. Speculation has centred on other possible defences, such as the sale of Chubb, Racal's locks business.

Williams said yesterday that it was not considering increasing its £701m all-paper bid.

"We have put our offer on the table and it stands," the spokesman said. The ball was now in Racal's court, he added. Williams was not aware of any potential rivals for Racal.

The company has offered three of its shares for 20 Racal Electronics. News of the bid pushed Williams shares down 32½p to 336¼p, making the offer worth 50.45p. Racal shares closed 11¼ higher on Friday at 56½p.

Sir Ernest Harrison, Racal chairman, is expected is expected to present the group's defence document within the next two weeks. The group demerged from its cellular telephones business, Vodaphone, just days before the Williams offer.

National Home Loans launches £125m securitised bond issue

By Simon London

NATIONAL Home Loans, the mortgage lender which faced a severe liquidity squeeze earlier this year following the collapse of BCCI, has launched a £125m securitised bond issue.

The issue is backed by a portfolio of residential mortgages and launched through a special-purpose subsidiary, Homer Finance. The deal removes the mortgages from NHL's balance sheet, freeing up capital and allowing it to lend more.

The bonds pay an interest margin of 65 basis points over the London interbank offered rate, but was priced at a discount to face value. The real return to an investor is closer to 70 basis points over Libor, higher than any previous mortgage-backed issue.

NHL estimates that it has to pay a premium of between three and five basis points following the liquidity squeeze, which was caused when depositors withdrew funds.

Banks involved in the deal said that the pricing was fair and that there were no special problems in selling the bonds. However, the rising number of defaults in the UK housing market has caused some investors to desert the sterling mortgage-backed bond market.

Investors are protected from defaults on the underlying mortgages by a separate tranche of subordinated notes soldalongside the main body of the issue. Any losses on the mortgage portfolio are absorbed by the holders of the subordinated notes. The issue has been rated double-A by Standard & Poor's, the US rating agency.

The deal frees around £20m of capital against which NHL can make new loans.

Around £60m of old mortgages from two earlier mortgage-backed bond issues – launched through the special purpose vehicles CMS 2 and CMS 3 – have been incorporated into this new deal and the old bonds have been retired.

NHL said that the old issues, launched in 1986 at the very start of the sterling mortgage-backed bond market, were no longer an efficient use of capital.

Ka-Shing approaches Rosehaugh and Stanhope

By Philip Coggan

MR LI KA-Shing, the Hong Kong businessman who controls the Cheung Kong property development group, is understood to have made a preliminary approach to Rosehaugh and Stanhope, the two UK property companies currently discussing merger terms.

The merger talks have become bogged down in discussion of detail, after earlier hopes that they could be completed by September 13. Mr Ka-Shing is understood only to be interested in investing in a merged company, rather than in either of the individual groups.

The two companies announced that they were considering a merger in July, having previously been linked via a joint venture to develop the Broadgate centre in the City of London.

The collapse of the UK property market has badly affected both companies, whose combined gross debts have been estimated at £1.5bn. Progress in the talks has been complicated by a clash of personalities between the chief executives, Mr Godfrey Bradman of Rosehaugh and Mr Stuart Lipton of Stanhope and by the involvement of Olympia & York, the Canadian property company, which has a stake in both groups.

Mr Bradman is unlikely to have an executive role in the merged company.

The interest of Mr Li Ka-Shing is still at a very early stage, and it is not clear whether he wants merely to take a stake or to take control of the merged company. However, the presence of an investor willing to inject cash might help the merger talks progress.

Dewhirst £7.7m cash call

By Peggy Hollinger

DEWHIRST, the clothing and toiletries group which supplies Marks and Spencer, has announced a £7.7m rights issue to pay for the acquisition of Slimma, a ladieswear manufacturer which also supplies the high street retailer.

The purchase will boost Dewhirst's almost negligible presence in the ladieswear sector.

The acquisition will also increase the proportion of Dewhirst's clothing sales going to Marks and Spencer from 78 per cent to about 84 per cent.

"We are pleased with the acquisition," said Mr Timothy Dewhirst, chief executive. "It will make us a major player in all three areas – menswear, childrenswear and ladieswear."

The group will pay Coats Viyella £9.4m cash and assume Slimma's £4.7m debt, representing a multiple of 11.9 times earnings.

The acquisition will be paid for through funds from the issue and increased debt. Borrowings, which were nil at the year-end, will rise to £6.4m.

In the year to January 31, Slimma made pre-tax profits of £1.8m on turnover of £37.9m. Mr Dewhirst said the acquisition would not dilute earnings this year or next.

The one-for-three rights issue at 26p will bring the Dewhirst family's stake down from 38.3 per cent to about 30 per cent.

Debt, which was nil at the year end, will rise to £6.4m.

The issue is underwritten by N.M. Rothschild.

Hemingway Props in the red midway

Hemingway Properties dropped from pre-tax profits of £702,077 into a loss of £2.15m for the first half of 1991. At the end of 1990 losses were £6.92m.

Included in the loss was a £729,209 (£295,075) exceptional charge relating to reorganisation following management changes. Turnover fell to £1.79m (£3.51m).

Again there is no interim dividend.

Mr Leonard Phillips, the chairman, said that the company was unlikely to be profitable before the year-end but losses would be less than those now reported.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Breedon	int	1.75	Oct 25	1.75	-	4.6
Dinkie Heel	int	0.35	Dec 31	0.35	-	0.95
Independent News	int	5♣	Oct 18	4.5	-	13
Interlink Exp	fin	4.25	Oct 31	4.25	8.375	8.375
Liberty	int	1.85	Nov 11	1.7	-	6.9
Macallan-G'livet	int	0.25	Nov 8	0.2*	-	0.61*
Tilbury	int	10.5	Oct 31	10.5	-	33
Usher (Frank) §	fin	2.5	Oct 25	4	4	6

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish currency.

Kwik-Save sees cut in return on capital

Kwik-Save, Britain's leading discount food retailer, expects some erosion in its return on capital employed in the next two years as it continues to increase investment and responds to competition from price-cutting chains.

Mr Simon Moffatt, Kwik-Save's finance director, said that return on capital would fall from 41 per cent to about 35 per cent by 1993 and then stabilise.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Kawasaki Steel (Japan)	Unit of ICI (UK)	Speciality compounds	£58m	ICI reorganisation continues
Centre Reinsurance (Switzerland)	Pinnacle (UK)	Insurance	£37m	CE Heath debt cut sale
Uni Storebrand (Norway)	Skandia (Sweden)	Insurance	£141m	Uni takes 11.4%
Assurances Generales de France (France)	Aachener & Munchener Beteiligung (Germany)	Insurance	£151m	15% stake built
TI Group (UK)	Cyclam (France)	Engineered seals	£14.3m	Agreed purchase
Mayne Nickless (Australia)	Interlink Express (UK)	Distribution	£50.5m	Core operation expansion
Footwork (Japan)	David Morris International (UK)	Jewellery	n/a	Footwork takes majority stake
Ricoh (Japan)	Gestetner Holdings (UK)	Office equipment	£122.3m	Ricoh takes 24%
Sumitomo (Japan)	Valent USA (US)	Agrochemicals	n/a	Buying out Chevron
IDV (UK)/ Nikka Whiskey & Distilling (Japan)	Nikka IDV (JV)	Drinks	n/a	Distribution & marketing venture

Source: FT Mergers & Acquisitions International

Japanese companies were the most visibly active buyers internationally last week, writes Brian Bollen.

The reorganisation of Imperial Chemical Industries continued with the sale of its Pennsylvania-based speciality compounds division to diversification-minded Kawasaki Steel.

Sumitomo Chemical's purchase of the half of Californian-based chemical company Valent USA owned by Chevron Chemical will enable it to proceed with expansion plans for Valent, and Chevron to concentrate on petrochemical products.

Telefonica's sale of a 40 per cent stake in the Fujitsu Espana joint venture back to Fujitsu marks a key step in the Spanish state-controlled group's withdrawal from the telecommunications equipment industry.

The existing relationship between office equipment groups Ricoh of Japan and the UK's Gestetner Holdings is set to become closer after Ricoh's purchase of a 24.2 per cent stake.

Upmarket jewellery concern David Morris International said the opportunity to increase sales in Japan and elsewhere in the Far East will be considerably enhanced by the involvement of Osaka-listed Footwork International.

Nikka Whisky and Distilling is forming a Japanese distribution and marketing joint venture with the drinks arm of Grand Metropolitan, International Distillers and Vintners.

Australian transport group Mayne Nickless described its agreed cash offer for UK parcel delivery company Interlink Express as a logical extension of its strategy of expanding core operations in Europe's distribution and delivery market.

COMPANIES AND FINANCE

Profits fall 5% to L220.4bn at Mediobanca

By Haig Simonian in Milan

NET PROFITS at Mediobanca, the Milan-based merchant bank, fell by 5 per cent to L220.4bn ($170.2m) in 1990-91, largely due to a L121bn surge in write-downs on securities holdings and transfers to special reserves for capital losses.

Overall, the bank made transfers and write-downs of L213.4bn, against L93.1bn the previous year. Despite the write-downs, the dividend is being held at L200 a share.

Gross of all transfers, earnings amounted to L433.8bn in 1990-91, against L325.2bn.

The bank revealed a 31 per cent rise in the value of its holdings in other companies.

It is believed the bank has been building up its position in Generali, Italy's leading insurer, in which it formerly had a stake of around 6 per cent.

Lending remained broadly stable at L12,881bn, despite this year's downturn in the Italian economy. Funding, which derives mainly from certificates of deposits and bond issues, rose by 6.5 per cent to L16,675bn.

The bank announced that Mr Cesare Romiti, the managing director of Fiat, would be joining its board following the conferment of a lifetime senatorship on Mr Gianni Agnelli, the Fiat chairman.

Under Italian law, Mr Agnelli, who has already stepped down from the board of Credito Italiano, must give up his position at any financial institutions where he holds a directorship as a result of his new political position.

● The Italian treasury has confirmed that the first batch of applications for repayment of withholding tax on government bonds for eligible non-residents had been processed.

Reports of the repayments under the accelerated procedure caused a surge in trading on the screen-based primary dealers system.

Saab and GM Swedish dealerships to merge

By Robert Taylor in Sweden

SAAB and General Motors are to merge their car dealer networks in Sweden. This will mean Saab and Opel vehicles will be sold through a restructured dealer organisation to begin operating next year.

The wholesale functions of the two companies will remain unchanged, and the individual character of both brand names will be maintained.

The move to integrate the dealer networks will lead to considerable rationalisation. Both Saab and GM have dealer networks with excess capacity in Sweden because of the dramatic slump in car sales there. In 1988, 344,000 vehicles were sold in Sweden. The forecast for this year suggests the number will be around 200,000.

Saab's network had a turnover last year of SKr4bn ($650m) – selling 19,500 Saab and GM US cars – while GM's Nordiska recorded a turnover of SKr1.7bn, on volume sales of 19,500.

Acec-UM slides BFr1.3bn into red

By David Gardner in Brussels

ACEC-UNION Minière, the non-ferrous metals business 82 per cent-owned by Société Générale de Belgique, turned in an interim net loss of BFr1.3bn ($37.4m), against a BFr3.9bn profit in the first half of last year.

Acec-UM blamed a weak dollar and falling zinc prices as a result of stagnant demand in the car and building industries for the sharp swing into the red.

Turnover for the six months slipped to BFr59.5bn from BFr63.9bn in the same period last year. For 1990, Acec-UM made total net profits of BFr3.4bn, against BFr19.9bn for 1989.

The group, formed in 1989 by a merger between Union Minière and the ailing Acec, warned that "should the external economic factors stabilise at their current level, the current consolidated loss for the second half year is expected to be at least equal to that of the first half".

Although the dollar firmed slightly during the period, Acec-UM booked a net loss of BFr805m on the hedging position it took against a sharper decline in the US currency. The company also noted that the zinc price had fallen some 28 per cent during the period.

Acec-UM also faced a fall-off in dividends from minority shareholdings, and increased financial charges. These were caused mainly by its absorption of the SGB subsidiary Sibeka – an additional BFr249m loss – and acquisition of a 22.5 per cent stake in the privatised Cananea copper mine in Mexico.

Acec-UM said net borrowings rose from BFr18.3bn to BFr21.8bn over the six months.

● Sulzer Bros, the Swiss engineering firm, is buying Germany's Neef companies, which specialise in communication technology and building automation.

Neef Elektrotechnik and Neef Consult, based in Karlsruhe, will be integrated into the Sulzer Infra Group, which is active in plant and building services.

The Neef companies have more than 300 employees and expect sales in 1991 to total around DM80m ($45.9m).

Aircraft executive is named Pan Am chief

By Nikki Tait in New York

MR RUSSELL May, a senior executive at McDonnell Douglas, the US airframe maker, was yesterday appointed president and chief executive of the ongoing Pan Am airline company.

Pan Am, which is operating under bankruptcy court protection, recently announced plans to sell its remaining Transatlantic operations and east coast shuttle service to Delta Air Lines. However, the company will continue to operate as a much smaller carrier, focusing on its Latin American service.

Delta will have a stake of around 45 per cent in this "reorganised" Pan Am, and the carrier's creditors will own the remainder.

As anticipated, Mr Tom Plaskett, Mr Peter McHugh, and Mr Richard Francis – respectively, Pan Am's chairman, chief operating officer and finance director – are all resigning during the autumn. This plan was approved on Friday, and the three top executives will share over $2m in severence payments.

The new chairman was president and chief operating officer of Pacific Southwest Airlines from 1985 to 1988, and previously head of marketing with Eastern Airlines.

Asda plans rights issue to raise £300m

ASDA, the UK supermarket group, is planning to raise around £300m through a rights issue, which it hopes to launch later this week, writes Robert Peston in London.

However, the share issue has been put in jeopardy by reports in the weekend press of its plans to raise the funds.

Asda's share price is likely to fall again today, having dropped 31 per cent last week to 70p, which will make it increasingly difficult to persuade investment institutions to underwrite the issue.

The shares are 45p above their par value. An issue of shares at less than par value presents technical difficulties. However, a floor for the price is provided by speculation that the company will face a takeover bid. At the end of the week, there were big purchases of Asda shares by the US investment bank, Goldman Sachs.

Asda's financial advisers, the merchant bank S. G. Warburg and the stockbrokers Cazenove, will decide today whether a rights issue is practicable.

Asda is under pressure to reduce its debt of £900m.

Unlike its bigger supermarket rivals, Asda's profits are being squeezed severely.

Eurotrack failure raises options doubts

OPTIONS on the FT-SE Eurotrack 100 index, which start trading on the London Traded Options Market (LTOM) today, are unlikely to provide the boost to trading activity that the struggling options exchange needs, writes Tracy Corrigan.

In late June, the London International Financial Futures Exchange (Liffe) launched a futures contract on the Eurotrack 100 index. The index consists of 100 non-UK European stocks, and is designed to allow investors to modify their exposure to Europe.

Average daily volume in the future, a paltry 44 contracts in July, slipped further in August to 10 contracts, as liquidity dried up.

Liffe and LTOM are due to join forces at the end of the year, and the Eurotrack futures and options represent the first joint product venture by the two exchanges in the lead-up to the merger.

Although Liffe claims there has been interest from UK fund managers, the poor liquidity of the contract has meant many orders have not been met.

"There's little trading business to take the other side of those orders," a trader said.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Experts review a 'primitive' set-up

THE UK government bond market has become "the most primitive" government bond market in Europe, according to a representative of the French government bond market.

Representatives of the Bank of England, the gilt-edged market and other government bond markets are due to attend a forum in a few months to discuss whether there is a case for restructuring the gilt market to improve its attractions to investors, both foreign and domestic.

To be fair, the Bank has introduced improvements already. It has issued more of the 10 per cent Treasury stock due 2001 to provide a liquid 10-year benchmark gilt, following the example of Spain and Italy, where the issue of 10-year government bonds has helped to attract foreign investors. The Bank has issued short-dated gilts for swap purposes, and is likely to issue a 25-30 year gilt – perhaps when yields have fallen further – to meet the demands of certain pension and insurance funds for long-dated stock.

So where are the improvements needed?

■ The establishment of a repurchase (or bond-lending) market in gilts. The repo business is well established in the US – it allows traders to borrow bonds while providing the lenders of the bonds with the opportunity to enhance the returns on their bond portfolios.

However, with gilts, lenders and borrowers cannot simply match their requirements through a broker as they can for other government bonds. Instead, the bond-lender has to use a stock exchange money broker who in turn lends the stock to a gilt-edged market-maker (GEMM). Traders are keen to improve liquidity by setting up a formal repo market in gilts.

■ The introduction of an auction calendar. Gilt-edged market makers remain divided over whether the Bank should follow the example of markets such as the US and France to announce an auction calendar.

While some GEMMs believe it would be more convenient to know in advance when gilt auctions will be held, the Bank is reluctant to limit its flexibility. It prefers to be able to announce auctions and taps when it feels the market conditions are favourable, so the government can raise money as cheaply as possible. It has, however, bowed to pressure to reduce the notice period before an auction from one month to 19 days. The next auction is due on September 25.

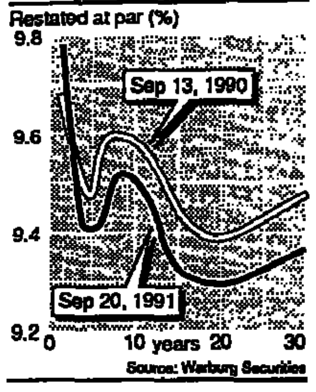
■ Allow foreign investors to hold their gilts in Euroclear or Cedel, the two Eurobond clearing houses, which already deal with other government bonds. Some traders claim that Swiss investors, who find it convenient to hold their bonds in Euroclear or Cedel, are put off investing in gilts because they cannot be held in that way.

■ Simplify the reclamation of withholding tax.

Double taxation agreements between the UK and a range of other countries allows many foreign investors to reclaim the withholding tax on their coupons. Otherwise, they can receive dividends gross by investing in certain Fotra (Free of Tax for Residents Abroad) stocks, or bearer bonds. The necessary form-filling is, in the words of one trader "a bureaucratic bore," but unlikely to deter foreigners from participating in the gilt market.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

However, traders point out that European mutual funds which invest on behalf of individuals must prove that the individual investors are non-resident in order to receive gilt coupons gross – an impossible task with the result that such funds either forego reclaiming the tax or avoid gilts.

Foreigners have been aggressive buyers of gilts in the first six months of this year, purchasing an estimated £3.6bn worth, while domestic investors bought £960m. By contrast, in July, domestic investors bought £1.8bn while foreigners sold £328m.

Traders emphasise the importance of foreign investors in the UK government bond market, especially when UK institutions' holdings in bonds are at an all-time low. In 1978, UK pension funds invested 29 per cent of their portfolios in UK fixed interest, compared with 4 per cent in 1990. However, fixed income analysts believe that as we enter a low-inflation era – thanks to membership of the exchange rate mechanism of the European Monetary System – UK institutions will steadily increase their weightings in bonds.

Sara Webb

SWEDISH BONDS

Yields reach low as long rally resumes

SWEDISH bond yields reached a historic low last week, despite residual political uncertainty. Following elections a week ago, Mr Carl Bildt, the Conservative leader, was asked to try to form a new government. He will report to the speaker on Tuesday.

The market has remained confident that a new government will be formed, most likely through a four-party, or a two-party, coalition.

Consequently, investors who had refrained from buying ahead of the election returned to the market last week. The yield on the 10-year Swedish government bond fell from 10.32 per cent on Monday to 9.94 per cent at Friday's close. The yield spread of Swedish bonds relative to the German bond market narrowed to its tightest level to date. The 10-year yield spread has fallen to 182 basis points, from 317 basis points last March.

The long rally in the Swedish bond market started in May, when the krona was linked to the Ecu. The move substantially reduced currency risk for other European investors, who began to switch out of other markets, such as the poorly-performing bund market. Although the link does not have the direct support of European central banks in the European Monetary System, Swedish politicians have rejected devaluation.

The switch was encouraged by Sweden's slide into recession. Sweden is currently experiencing negative economic growth. Inflation, which stands at 8.4 per cent, is expected to fall; some traders are looking for an inflation rate of 4 per cent in February.

However some analysts are starting to question how long the bullish mood of the Swedish bond market can persist, and are advising clients to take profits. It is time to switch into another Ecu-linked currency, according to Mr Neil Rogers, a bond analyst at UBS Phillips & Drew. He suggests the Finnish market. Some dealers say the obvious switch is into Danish kroner bonds, where yields are just over 9 per cent, but inflation is just above 2 per cent.

Meanwhile, the Swedish bond yield curve, which became more inverted last week, could invert further. The market is awaiting SKr4bn of paper maturing in 1995 this week. Given the potential vulnerability of the market, dealers may be loath to take a lot of new paper on their books, and prices at that area of the yield curve could come under pressure, pushing up yields.

Last week, there were several attempts to break the psychologically important 10 per cent yield barrier in the Swedish market, before the 10-year yield was pushed just below that level.

Many traders, however, do not believe the market can hold below that level. Retail investors may well steer clear of yields which are no longer double-digit.

But while some believe the market has now overstretched itself, others say the next yield level target is 9¾ per cent.

Tracy Corrigan

US MONEY AND CREDIT

Nervous investors move longer

UNCERTAINTY about the strength of the US recovery and the Federal Reserve's recent cut in short-term interest rates led bond market investors to move toward longer-term Treasury securities last week.

The result is a slight steepening of the yield curve, with the spread between yields on seven- and 30-year paper now 52 basis points, and price gains concentrated in the long end of the market.

The yield on seven-year paper was 7.37 per cent on Friday, compared with 7.69 per cent a month ago. As investors shifted to the longer maturities the yield on the benchmark 30-year Treasury bond closed at 7.89 per cent, down from a level of 8.13 per cent four weeks ago.

The focus of investor speculation remains whether or not the Fed will follow up its September 13 half-point reduction in the discount rate and quarter-point cut in Fed funds with another cut in rates.

The main consideration continues to be how the Fed will react to the weak state of monetary growth – and especially to the M2 rate, which dropped by $9.7bn in the week ended September 2 and rose by $2.6bn in the week to September 9, below the anticipated rise of $3.4bn.

Market watchers at James Capel believe there is limited further downside potential for US rates; they even go so far as to describe the 5 per cent discount rate as "the low point in the current cycle". This view is shared by S. G. Warburg, which considers the September 13 cut to be probably "the last ease in this cycle".

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	5.13	5.19	5.38	11.00	2.00
Three-month Treasury bills	5.33	5.29	5.52	7.81	5.29
Six-month Treasury bills	5.45	5.41	5.69	7.75	5.41
Three-month prime CDs	5.47	5.50	5.75	9.01	5.47
30-day Commercial Paper	5.40	5.40	5.65	9.95	5.40
90-day Commercial Paper	5.41	5.40	5.64	10.05	5.40

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	104[illegible]	[illegible]	7.37	7.43	7.69
20-year Treasury	113[illegible]	[illegible]	7.82	7.88	8.07
30-year Treasury	102[illegible]	[illegible]	7.89	7.95	8.13

Source: Salomon Bros (estimates).

Money supply: In the week ended September 9, M1 fell by $0.4bn to $866.7bn

These views notwithstanding, market sentiment was influenced late last week by a US newspaper report suggesting that continued weakness in money supply growth could induce the Fed to cut rates once more. The knee-jerk reaction was that some investors shifted funds to longer-term maturities.

Apart from the money supply debate, there was little macro-economic information to inspire the data-driven Treasury bond market, so attention shifted again to the frequently myopic debate over the relative strength or weakness of the recovery. The debate has data-hungry bond-traders trying to read long-term trends into every statistic that flickers on to their monitors, while pronouncements from Washington put the best gloss on the same numbers.

One year ago the most pessimistic observers began speaking of an extended 12 to 15 month recession, and warned there was no quick fix for the debt-laden US economy. At the same time, the Fed declined to acknowledge that a recession – now thought to have begun in July 1990 – was even under way.

Six months ago Mr Alan Greenspan, the Fed chairman, joined most Bush Administration politicians in the view that the recession would be short and shallow. Recovery was proclaimed as soon as it was decently possible, with a few slight upturns in housing and consumer spending figures seized upon as evidence that all would soon be well.

The pessimists – who have been more right than wrong – have insisted on the "double dip" thesis and warned that the US economy remains far more sluggish than thought. Recent Fed actions seem to sustain this argument.

As Smith Barney pointed out last week, the economic backdrop has been quite disarming in the July-September period. "We see no meaningful change in the economic backdrop in the near term," Smith Barney said, noting that consumer spending was still weak and everything pointed at a weak holiday season.

Put another way, it appears that cuts in short-term interest rates may not represent a panacea for the US economy, even if they take some pressure off the debt-servicing costs of corporate America. Wealthier Americans are losing interest income and middle class households are finding that the money market rate cuts have not been passed on to them in the form of lower borrowing rates, either at banks or from credit card companies.

Mr John Reed, the chairman of Citicorp, delivered another dose of reality on Friday when he said the depressed market in commercial real estate could last for at least two, and as much as the next five to seven years. Loan loss provisions and write-offs would continue to bedevil the balance sheets of banks and insurance companies for a long time to come, said the chairman of America's biggest bank.

The US economy is thus continuing to underperform, compared with expectations. The coming third-quarter corporate results season is likely to confirm this once again.

Alan Friedman

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 8 7/8 93	150	102[illegible]	[illegible]	6.89
ABN 9 1/8 94	200	104	[illegible]	7.50
AETNA LIFE & CAS 7 3/4 16	200	100[illegible]	[illegible]	7.70
ALBERTA PROVINCE 8 5/8 96	750	103[illegible]	[illegible]	7.71
ALBERTA PROVINCE 9 3/8 95	600	106[illegible]	[illegible]	7.50
AMERICAN EXPRESS 0 00	450	45[illegible]	[illegible]	9.01
AMERICAN GENERAL 9 3/4 95	100	103[illegible]	[illegible]	8.56
AMERICAN INTL 0 04	750	33[illegible]	[illegible]	8.91
ASIAN DEV BANK 0 04	1000	34[illegible]	[illegible]	8.66
AUSTRALIA 11 95	200	109[illegible]		7.79
[illegible]				
OSTER KONTROLLBANK 8 1/2 01	200	102	[illegible]	8.18
OSTER POSTSPARK 10 1/2 94	150	107[illegible]	[illegible]	7.18
PEPSICO 7 3/8 93	200	100[illegible]		7.17
PETRO-CANADA 7 1/4 96	200	98[illegible]	[illegible]	7.66
PHILIP MORRIS 9 7/8 98	200	104[illegible]	[illegible]	8.95
PROCTER & GAMBLE 10 95	150	103[illegible]	[illegible]	8.94
PRUDENTIAL RLTY SECS 0 99	365.216	54[illegible]	[illegible]	8.65
QANTAS AIRWAYS 8 5/8 96	97.75	102[illegible]	[illegible]	7.96
QUEBEC HYDRO 9 01	300	102[illegible]	[illegible]	8.63
QUEBEC HYDRO 9 3/4 98	150	107[illegible]	[illegible]	8.34
QUEBEC PROV 9 98	200	103	[illegible]	8.37
QUEENSLAND GOVT 10 1/4 95	100	107[illegible]	[illegible]	7.82
RALSTON PURINA 11 3/4 95	150	109[illegible]	[illegible]	8.62
REED PUBLISHING 9 5/8 97	150	105	[illegible]	8.48
REYNOLDS (RJ) 10 1/4 93	100	101[illegible]		9.60
SAINSBURY 9 1/8 96	150	104[illegible]	[illegible]	7.97
SARA LEE 9 3/8 93	150	103[illegible]		7.28
SAS 10 99	200	103[illegible]	[illegible]	9.28

(continued)	Issued	Bid price	Chg on week	Yield
SAS 10 1/8 95	150	105[illegible]	[illegible]	8.30
SBAB 9 1/2 95	500	106		7.56
SEAGRAM CO 8 1/2 96	100	100		8.48
SEARS O/S FIN 0 98	500	54[illegible]		9.25
SEARS O/S FIN 11 5/8 93	150	106[illegible]	[illegible]	7.88
SEARS ROEBUCK EURO 9 3/4 95	300	105[illegible]	[illegible]	7.89
SNCF 7 1/4 94	175	101[illegible]		6.69
SNCF 9 1/2 98	150	107[illegible]	[illegible]	8.02
STATE BK NSW 8 1/2 96	200	102[illegible]	[illegible]	7.93
STATE BK STH AUST 9 1/4 93	100	103		6.86
STATOIL 7 5/8 94	200	100	[illegible]	7.59
[illegible]				
BAPROVEN 11 1/8 95	200	100[illegible]	[illegible]	10.88
BULGARIAN TRADE BK 8 1/2 96	200	86[illegible]	[illegible]	12.48
DEUTSCHE BK FIN 5 5/8 96	750	89[illegible]	[illegible]	8.52
DEUTSCHE FINANCE 7 1/2 95	1000	97[illegible]	[illegible]	8.32
EIB 5 3/4 98	400	86[illegible]		8.52
EIB 6 7/8 95	300	94[illegible]		8.40
EUROFIMA 6 1/4 98	400	89	[illegible]	8.43
FERRO DEL STAT 5 3/8 93	500	95[illegible]		9.10
FIRST INTERSTATE 5 3/4 96	100	82[illegible]	[illegible]	10.64
IND BK JAPAN FIN 5 5/8 96	200	88	[illegible]	8.90
IND DEV BK INDIA 6 3/8 94	200	88[illegible]	[illegible]	10.83
LUFTHANSA INT FIN 5 7/8 98	300	86[illegible]	[illegible]	8.69
NAT BK HUNGARY 8 96	200	90	[illegible]	10.62
QUEBEC HYDRO 6 3/4 99	300	88[illegible]	[illegible]	8.85
SWEDEN 6 1/8 98	300	87[illegible]	[illegible]	8.63
VENEZUELA 8 1/4 93	100	95[illegible]	[illegible]	10.53
WORLD BANK 0 15	2000	16[illegible]	[illegible]	7.75
WORLD BANK 5 3/4 96	300	89[illegible]		8.73
WORLD BANK 7 1/8 95	500	96[illegible]	[illegible]	8.49

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	[illegible]	[illegible]	7.01
AUSTRIA 4 5/8 98	100	[illegible]	[illegible]	[illegible]
CHUJITSUYA 7 3/4 95	50	101[illegible]	[illegible]	[illegible]
COUNCIL EUROPE 4 3/4 98	250	88	[illegible]	[illegible]
EEC 5 1/2 00	100	90	[illegible]	[illegible]
EIB 5 3/4 93	100	97		[illegible]
ELEC DE FRANCE 7 1/4 06	100	101[illegible]	[illegible]	7.05
FINLAND 5 3/8 95	150	[illegible]	[illegible]	[illegible]
GENERAL MOTORS 7 1/2 95	100	100[illegible]	[illegible]	[illegible]
JAPAN DEV BK 5 1/2 94	100	[illegible]	[illegible]	[illegible]
[illegible]				

EQUITY WARRANTS	Expiry date	Bid price	Chg on week	Prem
ASAHI GLASS	[illegible]	[illegible]	[illegible]	[illegible]
CANON	[illegible]	[illegible]	[illegible]	[illegible]
FUJITSU	[illegible]	[illegible]	[illegible]	[illegible]
HINO MOTORS	[illegible]	[illegible]	[illegible]	[illegible]
KOBE STEEL	[illegible]	[illegible]	[illegible]	[illegible]
MITSUBISHI EST	[illegible]	[illegible]	[illegible]	[illegible]
MORINAGA	[illegible]	[illegible]	[illegible]	[illegible]
NICHII	[illegible]	[illegible]	[illegible]	[illegible]
NICHIREI CORP	[illegible]	[illegible]	[illegible]	[illegible]
NIPPON COMSYS	[illegible]	[illegible]	[illegible]	[illegible]
NISSHIN STEEL	[illegible]	[illegible]	[illegible]	[illegible]
ROYAL HOTEL	[illegible]	[illegible]	[illegible]	[illegible]
SMC	[illegible]	[illegible]	[illegible]	[illegible]
TAKASHIMAYA	[illegible]	[illegible]	[illegible]	[illegible]
TOYO SASH	[illegible]	[illegible]	[illegible]	[illegible]
UNITIKA	20/07/93	1	[illegible]	57.84

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on September 20

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

Bids raise hopes of increased activity

THE recent spate of takeover bids in the UK has raised hopes of increased activity in the syndicated loans market, as bankers wonder whether the bidding companies will turn to the credit market to fund their acquisitions.

The £1.5bn bid by BTR, the industrial conglomerate, for Hawker Siddeley, the engineering group, announced on Friday could lead to a large syndicated loan.

BTR has offered shareholders in Hawker Siddeley the choice of either cash or the combination of cash and BTR shares. According to BTR, full acceptance of the offer would involve a cash payment by BTR of "about £578m".

Bankers have suggested that *if BTR's bid is successful, it is* likely to require a one- to two-year syndicated loan of £500m-£800m, or possibly more if BTR has to raise its bid. Barclays Bank, Crédit Suisse and the Hongkong and Shanghai Banking Corporation have agreed to provide loan finance to BTR, and would be joint arrangers for a syndicated loan. Details of the financing are expected in the offer document which comes out this week.

BTR's bid for Hawker Siddeley capped a week which included a £351m recommended offer by Hanson for Beazer, the building group, and a hostile £701m bid by Williams, the industrial conglomerate, for Racal Electronics.

Hanson's bid halted the planned flotation of Beazer's UK-based housebuilding, contracting and property businesses, and no doubt pleased Beazer's bankers, which had been in negotiations with the company about its heavy borrowings.

The flotation was expected to raise about £500m, and Beazer had planned to use the proceeds to reduce its debts. Instead, Hanson will inherit Beazer's £1.2bn debt, thereby pushing its overall debt to nearly £9bn, against cash of £7.6bn. Hanson's advisers believe that it will be in a much stronger position than Beazer to negotiate new borrowing terms.

The question is, can the market expect to see more large takeover bids in the next few months and, if so, will the companies concerned turn to the syndicated loans market to *finance their acquisitions?* While some bankers believe there could be a pick-up in volumes in the loans market as a result, others remain doubtful, wondering whether the bidding companies may turn to the stock market for financing.

The problem is that some companies are staying away from the market because they find it difficult to assess whether pricing on syndicated loans is starting to come down now. Pricing – including the margin over the London interbank offered rate and various fees – is two to three times higher than it was two years ago. Companies may choose to wait until pricing is on the way down before borrowing.

Elsewhere, JA/Mont, the consumer tissue paper producer, has awarded the mandate for an Ecu300m syndicated loan to Citicorp and Swiss Bank Corporation. Ecu deals are becoming more common in the syndicated loans market, although in the past the borrowers have tended to be Italian.

JA/Mont is a joint venture between James River Corporation, the US consumer products and packaging group, and Montedison of Italy. It is the second largest European producer of consumer paper tissue and hygiene products.

The six-year loan consists of an Ecu150m term loan facility and an Ecu150m revolving credit facility. The margin is 75 basis points over Libor with a 25 basis point commitment fee.

Sara Webb

EUROMARKET TURNOVER ($m)

Primary Market

	Straights	Conv	FRN	Other
US$	576.1	55.0	297.0	12,745.3
Prev	954.5	0.0	173.0	15,906.5
Other	3,059.4	140.9	298.2	8,738.7
Prev	728.6	0.0	302.5	9,182.8

Secondary Market

	Straights	Conv	FRN	Other
US$	20,624.0	765.9	7,739.0	10,300.3
Prev	16,675.7	711.7	6,272.1	11,391.4
Other	39,212.4	859.1	2,894.0	71,918.2
Prev	29,224.7	906.7	3,005.5	59,646.8

	Cedel	Euroclear	Total
US$	17,023.2	36,079.4	53,102.6
Prev	19,496.9	32,588.0	52,084.9
Other	43,177.6	83,943.3	127,120.9
Prev	32,712.2	70,285.4	102,997.6

Week to September 19, 1991

Source: AIBD

EUROPEAN BONDS

Faithful are rewarded with rapid convergence

FOLLOWING a period during the early summer when belief in European bond market convergence was severely tested, the faithful have been rewarded.

Since late August high-yield *bond markets, such as those of* Spain and Italy, have rallied strongly. Bond yields have resumed the downward path towards the levels of Germany, resuming a trend which was evident for the first five months of the year.

For example, Italian government bond yields have fallen by a full 50 basis points in the past month. In Spain, the fall in yields is closer to 60 basis points. Even UK government bond yields have come down by nearly 50 basis points at the 10-year maturity.

Over the same period, German 10-year bund yields have *come down by just 15 basis* points; hence convergence of the highest-yielding European markets was proceeding at the heady pace of around 10 basis points per week.

Although there are specific reasons for the bond market rallies in each country, one *unifying factor has been a* restored confidence in the future of European monetary union.

The Dutch plan for monetary union, unveiled this month, can take some credit for this renewed optimism. Unusually positive comments by Mr John Major, the British prime minister, and Mr Hans Tietmeyer, the deputy president of the Bundesbank, have raised expectations that a formula for monetary union can be agreed later this year at the Maastricht summit.

The Dutch plan is as yet nothing more than a "technical paper" – a "non-paper" in the language of the EC – and has yet to be approved by that country's cabinet, let alone formally presented to the Netherlands' EC partners.

However, is does not take much to kindle bond market enthusiasm for monetary union. In particular, the Dutch plan has focused attention on two areas relevant to bond market investors.

The first is that progress towards monetary union may be through a "hardened" European currency unit. In this case the Ecu would maintain its characteristics as a basket currency, composed of a component part from each of the currencies which make up the European monetary system.

However, it would not be allowed to devalue against other currencies in the system. In this case, the Ecu would be the strongest currency in Europe and, in theory, Ecu interest rates should be the lowest in Europe – taking over the D-Mark's anchor role within the EMS.

The implication is that the yield on Ecu-denominated bonds would become the lowest in Europe. The yield on Ecu bonds has already fallen below those of French franc bonds, and the yield spread over D-Mark bonds has closed significantly. Last week the yield spread of 10-year Ecu bonds over 10-year bunds had closed to around 40 basis points.

A clear example came with Republic of Finland's Ecu500m 10-year bond issue, which was launched at a yield just 20 basis points more than that available on the borrower's D-Mark bonds. Quite independently of this issue, the view of researchers at Paribas is that 20 basis points is a fair yield spread for Ecu bonds over German government bunds, taking into account the risk of devaluation of Ecu currencies.

The Finland deal was by no means a raging success, launched into the tail end of the Ecu bond market rally and contributing to a sharp correction. It also demonstrated that confidence in the Ecu sector can be fragile.

These problems aside, the Dutch plan has raised the serious possibility that "hardened" Ecu bond yields will fall to levels lower than German government bonds before too long.

The second is that monetary union could proceed at two speeds, despite opposition from countries likely to end up in the slow lane, including Spain and Italy.

It is unclear why bond market investors should take heart from this proposal. Perhaps the biggest risk in buying lire, peseta or sterling bonds is that the currencies will be devalued within the exchange rate mechanism of the European monetary system.

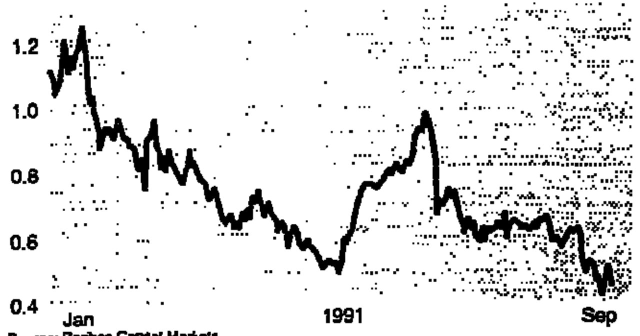
So far all the governments have staked considerable political capital on maintaining current parities until the next stage of monetary integration. There is an argument that their defence will be less vigorous if it becomes clear that they are *in the slow lane* of a two-speed Europe.

However, so far this line of thinking has been ignored by international investors. Most have preferred to focus on the alternative argument that the high-yielding countries will redouble their efforts to control inflation and bring interest rates down for fear of being left behind.

Simon London

Yield spread

10-year Ecu bonds less German government bonds (%)



Source: Paribas Capital Markets

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Toho Zinc Co.(a)♦†	55	1995	4	5	100	Nikko Secs.	5.000
Comp.Vale do Rio Doce(c)†	200	1994	3	10	96.404	Citicorp Inv.Bank	11.778
Daiwa Kosho Lease♦	170	1995	4	4½	100	Daiwa Europe	4.500
Han Yang Chemical(d)§†	56	2006	15.167	3¼	100	Nikko Secs.	3.250
AB Electrolux†	100	1996	5	8¼	101.095	Merrill Lynch	7.976
Ishihara Sangyo(h)♦†	120	1995	4	4⅝	100	Nomura Int.	4.625
World Bank(e)†	1.5bn	1996	5	7¼	99.897	CSFB	7.407
Victorian Pub.Auth.(k)†	350	2001	10	8.45	99.933	Salomon	8.480
ECUs							
Credit Local de France†	1bn	2001	10	zero	44.10	Paribas Cap.Mkts.	8.532
Republic of Finland†	500	2001	10	8¾	99¼	JP Morgan Secs.	8.866
Japan Highway Public Corp†	140	1998	7	8⅞	101.175	Bk of Tokyo Cap.Mkts.	8.644
Bayerische Hypotheken†	150	1993	2	9¼	100.975	CSFB	8.698
LKB Baden-Wurttemberg†	150	1994	3	9	101.1675	SBC	8.543
Rabobank Nederland NV(j)†	75	1994	2⅔	9	101.175	SBC	8.466
STERLING							
N'wide.Anglia B.Society†	100	1998	7	zero	50.945	Hambros Bank	10.114
Homer Finance (No.1)(l)‡†	125	2028	(l)	(l)	100	CSFB	-
CANADIAN DOLLARS							
Prov.of British Columbia†	500	1998	7	10	101.275	SBC	9.740
Hydro Quebec(e)†	1.1bn	2021	30	10½	99.485	Merrill Lynch	10.557
Kyushu Electric Power†	200	2001	10	10¼	99.38	Daiwa Europe	10.352
AUSTRALIAN DOLLARS							
Commonwealth Bk of Aust.†	100	2001	10	11	99¾	Deutsche Bk Cap.Mkts.	11.043
State Bk of NSW†	100	1995	4	11	101½	Deutsche Bk Cap.Mkts.	10.521
Sth.Aust.Govt.Fin.Authority†	125	2001	10	11¼	100⅛	Hambros Bank	11.229
D-MARKS							
Republic of South Africa†	400	1996	5	10½	100	Deutsche Bank	10.500
FRENCH FRANCS							
Caisse Cen.d'Coop.Econ.†	1bn	2001	10	9⅛	99.27	CCF	9.240
Societe Generale(l)‡†	300	1997	6	(l)	101⅝	Societe Generale	-
SWISS FRANCS							
EIB(b)†	200	1998	-	6½	99.80	SBC	6.531
Metropolis of Tokyo★★†	100	1996	-	7	101½	IBJ (Schweiz)	6.638
City of Copenhagen★★†	90	1996	-	7	101⅛	Bank Leu	6.728
Nippon Signal★★♦†	80	1995	-	5	100	Morgan Stanley SA	5.000
Toa Corp(f)★★♦	70	1995	-	5	100	Bca.d'Svizzera Italiana	5.000
Kyoritsu Ceramic Mat.(g)★★♦	25	1995	-	5	100	Bank Julius Baer & Co.	5.000
LIRE							
Nederlandse Gasunie NV†	150bn	1996	5	12	101.65	Is.B.S'Paolo d'Torino	11.547
DANISH KRONER							
Den Danske Bank†	300	1995	4	9¼	101⅞	Den Danske Bank	9.169
YEN							
Japan Air Lines Co.†	20bn	2002	10¼	6.9	101¾	Nikko Secs.	6.653
Japan Air Lines Co.†	10bn	2001	9¼	6.9	101⅜	Daiwa Europe	6.635
Ricoh Co.†	50bn	2000	8¼	7	101.55	Nomura Int.	6.742
Republic of Austria†	50bn	2003	12	6¼	100	Nikko Secs.	6.250
Province of Ontario†	50bn	1996	5	6¼	100	IBJ Int.	6.250
Onoda Cement†	10bn	1999	7¼	7	101⅜	Nikko Secs.	6.746
LUXEMBOURG FRANCS							
Okobank†	1bn	1998	7	9⅜	102	BIL	8.978
Essilor of America★★†	*800*	*1995*	*4*	9½	*102.20*	BGL	8.824
Ford Motor Credit†	2.5bn	1994	3	9⅝	101.85	Credit Europeen	8.898
Parbel Int.Fin.NV†	1.5bn	1999	7.167	9⅜	102⅛	Bque.Paribas (Lux)	8.950

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. ♦Variable rate notes. †Final terms. a) Exercise premium fixed at 2.65%. Non-callable. b) Fungible with existing SFr400m deal launched in June. Non-callable. c) Put option October 1993 at 96.602%. Coupon payable semi-annually. d) Callable 1/1/94 at 104% declining 1% annually. Put option 4/10/96 at 125% to yield 7½%, and 4/10/98 at 159% to yield 9½%. Conversion premium fixed at 10%. e) Global issue. Non-callable. f) Callable 17/10/92 at 101½% declining ¼% semi-annually. g) Callable *3/10/93 at 101% declining ½% semi-annually. h) Exercise premium* fixed at 2.5%. Non-callable. i) Coupon pays 9.84% for first year, then 25% minus 2 x 3-month Pibor. Minimum coupon of 4%. j) Fungible with existing Ecu150m deal. Non-callable. k) Yankee issue. Non-callable. l) Coupon pays 65bp over 3-month Libor until 9/96, then 1% over 3-month Libor thereafter. Average Life - up to 3.8 years. Callable from 9/94 at par. Note: Yields are calculated on AIBD basis.

THE WEEK AHEAD

ECONOMICS

English-speaking world still looks for signs of recovery from recession

ECONOMISTS in the US and Britain will be scanning this week's data for more signs of recovery from recession, while in Germany and Japan the focus will be on inflation and interest rates.

In the UK, this morning's more upbeat monthly industrial trends inquiry from the Confederation of British Industry is likely to add fuel to the current election fever.

Later today, the UK current account and visible trade data for August will attract interest as the first such figures since the revisions published earlier this month in the Central Statistical Office's "Pink book".

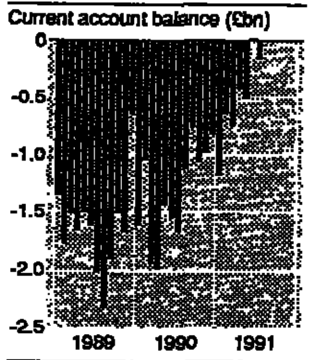
They will also be scrutinised closely for what they tell about UK competitiveness and the domestic economy. The slight widening of the deficits, expected by the markets, could reflect the impact of reviving domestic demand on imports.

In the US, however, there is little hope that tomorrow's Conference Board consumer confidence index, Wednesday's durable goods orders and Friday's income and consumption data will ease worries of a lacklustre recovery.

The week will also bring preliminary inflation data from

UK trade

Current account balance (£bn)



Japan and Germany, where the Bundesbank's policy making council holds one of its regular fortnightly meetings on Thursday.

The Bundesbank is certain to stick to a tight monetary policy following recent warnings that underlying inflationary pressures remain strong. But the Bank of Japan could find itself coming under increased pressure to cut its official rates.

Events and statistics, with median market forecasts from MMS International, the financial research company, in brackets, include:

Today: UK, August current account (£300m deficit), visible trade (£700m deficit); second quarter average GDP (down 0.9 per cent). US, August Treasury Budget ($47.3bn deficit). Canada, July retail trade (up 0.4 per cent). Australia, August manufacturing production, July export price index.

Tomorrow: US, September consumer confidence index (77 per cent), Sept 11-20 auto sales (6m). France, August trade balance (FFr3.5bn deficit). Japan, July leading diffusion index. Canada, July wholesale credit. Switzerland, Opec ministers meet in Geneva.

Wednesday: US, August durable goods orders (down 4.5 per cent), durable shipments, existing home sales. UK, August building society commitments (£3.9bn); second quarter cross border mergers and acquisitions; half yearly engineering economic trends report. Japan, regular Bank of Japan press conference.

Thursday: US, second quarter final GNP (down 0.2 per cent), GNP deflator (4.2 per cent), after tax profits (down 1.8 per cent); August export/import price indices; money figures and initial claims for week to Sept 16. Japan, August retail sales (up 4.7 per cent on year). Australia, August motor registrations (down 2 per cent). Germany, Bundesbank council meets; European banking conference in Frankfurt with Bundesbank president Helmut Schlesinger and New York Fed president Gerald Corrigan among speakers. UK, second quarter revised capital spending and stockbuilding.

Friday: US, August personal income (up 0.5 per cent), personal consumption expenditure (flat), bank credit and commercial, industrial loans. Japan, September Tokyo consumer prices (up 3.5 per cent on year), August national CPI (up 3.5 per cent). UK, second quarter personal income, spending and saving, industrial and commercial companies data. Canada, August industrial product prices (down 0.2 per cent). Australia, July manufacturing input/output prices.

During the week: Germany, August M3 (up 3.8 per cent on fourth quarter base), import prices (down 0.2 per cent on month, up 1.5 per cent on year); September preliminary cost of living (up 0.3 per cent on month, 4 per cent on year). France, August unemployment (9.6 per cent).

Peter Norman

UK COMPANIES

TODAY
COMPANY MEETINGS:
English & Caledonian Inv., Charles Oakley House, 125, West Regent Street, Glasgow, 10.00
Farepak, The Butchers' Hall, 87 Bartholomew Close, E.C., 12.00
Scottish Power, Scottish Exhibition & Conference Centre, Finnieston Street, Glasgow, 2.30
BOARD MEETINGS:
Finals:
Alliance Resources
Ardagh
Bryant
Courtyard Leisure
Foster's Brewing
GT Japan Inv. Tst.
Lloyd Thompson
MAI
Polypipe
Unigroup
Interims:
BHH
Billam (J.)
ECC
Edinburgh Fund Mngrs.
Fortnum & Mason
Hawtal Whiting
Hibernian
Korea Liberalisation Tst.
Metalrax
PFG Hodgson Kenyon Intl.
Quarto
Rutland Trust
Schroders

TOMORROW
COMPANY MEETINGS:
Clarke Hooper, 8, The Grove, Slough, 9.30
Danae Inv. Trust, 99 Charterhouse Street, E.C., 12.30
Harland Simon, Post House Hotel, 500 Saxon Gate West, Central Milton Keynes, 12.00
Neepsend, Kenwood Hall, Sheffield, 11.00
Park Food, Tranmere Rovers Football Club, Prenton Park, Penton Road West, Birkenhead, 12.00
Unitech, Howard Hotel, Temple Place, Strand, W.C., 12.00
Wood (John D.), 26 Curzon Street, W., 12.00
Zetters, Clerkenwell Conference Centre, Clerkenwell Green, E.C., 11.00
BOARD MEETINGS:
Finals:
Brent Chemicals
Everest Foods
Hays
Mucklow (A.& J.)
Sunset & Vine
Interims:
Dunloe House
Garton Eng.
Henderson Highland Tst.
Holt (Joseph)
Jove Inv. Tst.
Mayborn
Meggitt
Ross
Tarmac
Wolstenholme Rink

WEDNESDAY SEPTEMBER 25
COMPANY MEETINGS:
Bogod, 109-113 Charterhouse Street, E.C., 12.00
Ewart, 17 Bedford Street, Belfast, 11.00
Forminster, The Prince Regent Hotel, Manor Road, Woodford Bridge, Essex, 12.30
Howden, The Park Suite, Dean Park Htl, 91 Glasgow Road, Renfrew, 12.00
Save & Prosper Return of Assets Inv. Trust, 1 Finsbury Avenue, E.C., 3.00
Sutcliffe Speakman, Greyhound Hotel, Leigh, 11.00
TR Smaller Co's Inv. Trust, Mermaid House, 2 Puddle Dock, E.C., 12.30
Williamson Tea, Painters' Hall, 9 Little Trinity Lane, E.C., 12.00
BOARD MEETINGS:
Finals:
Baillie Gifford Japan
Cornwell Parker
Gent (S R)
Oceonics
Interims:
BSG Intl.
Boddington
Clifford Foods
Dagenham Motors
Dencora
EFM Income Trust
Enterprise Computer
Fired Earth Tiles
Geest
Hogg Group
Johnston Press
Spirax Sarco Eng.
T & S Stores

THURSDAY SEPTEMBER 26
COMPANY MEETINGS:
Black Arrow, 748 London Road, Hounslow, Middlesex, 12.00
Colefax & Fowler, The Merchant Taylors' Hall, 30 Threadneedle Street, E.C., 11.00
Dixons, The Brewery, Chiswell Street, E.C., 11.30
Douglas (Robert M.), Shenstone House, 395, George Road, Erdington, Birmingham, 12.00
Electric & General Inv., 3, Finsbury Ave, E.C., 12.30
Ellis & Everard, Glaziers Hall, 9, Montague Close, London Bridge, S.E., 12.00
Greycoat, Leconfield House, Curzon Street, W., 12.00
Markheath Securities, The Westbury, Conduit Street, W., 11.00
Mosaic Invs., 135, Bishopsgate, E.C., 11.00
PowerGen, National Exhibition Centre, Birmingham, 2.30
Quiligotti, Newby Road, Hazel Grove, Stockport, Cheshire, 11.30
Stewart & Wight, 1, Hobart Place, S.W., 10.30
BOARD MEETINGS:
Finals:
Barratt Devs.
Eleco
Frogmore Estates
Murray Ventures
Throgmorton Dual Tst.
Interims:
Antofagasta
Bilston & Battersea Enamels
Clarkson (Horace)
Hay (Norman)
Ibstock Johnsen
Malaya
Newarthill
Redland
Travis Perkins
United Newspapers
Vickers
Whatman
World of Leather
Yule Catto

FRIDAY SEPTEMBER 27
COMPANY MEETINGS:
Brent Walker, Cafe Royal, Regent Street, W., 10.30
Dyson (J & J), Masonic Hall, Tapton Hall, Shore, Sheffield, 12.00
Ferranti Intl., Millbank Tower, Millbank, S.W., 10.00
Leigh Interests, Chamber of Commerce, 75, Harborne Road, Edgbaston, Birmingham, 12.00
Property Security Inv. Trust, Butchers' Hall, 87, Bartholomew Close, E.C., 12.00
Real Time Control, Elton House, Elton Way, Watford, 12.00
Smith (David S.), St. James Court Hotel, Buckingham Gate, S.W., 10.15
Waverley Cameron, Hilton National, Belford Road, Edinburgh, 12.00
BOARD MEETINGS:
Finals:
Adwest
Armour Trust
Bailey (Ben) Construction
China & Eastern Inv.
Goodwin
Sinclair Goldsmith
Interims:
Aran Energy
Brown & Jackson
Bullers
Burns-Anderson
Central Independent TV
Clayform Props.
Evered Bardon
Microvitec
More O'Ferrall

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

TODAY
Abtrust Scotland Inv. 0.55p
European Assets Tst. NV (Reg.) DFL0.08
Do. (Br.) DFL0.08
European Inv. Bank 11% Ln. (Reg.) 2002 5.5pc.
Kershaw (A.) 9p
Do. B Prf. 1.96875p
Leeds Permanent Bldg. Soc. Sub. Var. Rate Nts. $306.95
Do. Sen. Var. Rate Nts. 1994 £306.95
Marine Midland Bank NA Fltg. Rate Sub. Cap. Nts. 1996 $164.83
Rank Org. 10.25p
Ransom (Wm.) 1.169p
Sotheby's Inc. A (Reg.) 15cts.
Treasury 2% IL 1992 £1.3313

TOMORROW
Asian Dev. Bank 10¼% Ln. (Reg.) 2009 5.125pc.
Flogas 4.74p
Greenalls 11½% Deb. 2014 3.4973pc.
Do. 11½% Deb. 2014 (Exchanged) 2.5521pc.
Higgs & Hill 8¼% Deb. 89/94 4.125pc.
Intl. Bank for Rec. & Dev. 9½% Ln. (Reg.) 2010 4.75pc.
Royal Dutch Petroleum NV (Br.) DFL3.45
Do. (Reg.) DFL3.45
Sidlaw 7½% Uns. Ln. 2003/08 3.75pc.
Treasury 2½% IL 2001 £2.0791

WEDNESDAY SEPTEMBER 25
Assoc. Brit. Foods 7½% Uns. Ln. 87/2002 3.75pc.
Do. 5½% Uns. Ln. 87/2002 2.75pc.
Brit. Land 12½% Bds. 2016 6.25pc.
Do. New 12½% Bds. 2016 6.25pc.
Chapman Inds. 8½% 1st Mtg. Deb. 93/98 4.25pc.
Forminster 8.275p
Gold Fields Property 18cts.
Gold Fields of S. A. 130cts.
HIH Capital 7½% Cnv. Cap. Bds. 2006 3.75pc.
Halliburton 25cts.
Hercules 56cts.
Konica 7¼% Nts. 1998 3.625pc.
Lonrho 9% 2nd Mtg. Deb. 87/92 4.5pc.
M & G Commodity & Gen. Fd. 2.3p
Murray Smaller Mkts. Tst. 2.55p
NEC Corp. 7.15% Bds. 1997 3.575pc.
Neepsend 1p
New Wits 35cts.
New Zealand 11½% (Reg.) 2014 5.75pc.
Oriflame Intl. SA (Reg.) 8p
Do. (Br.) 8p
Park Food 5.7p
Renold 8% 1st Deb. 91/96 4pc.
TSB Gilt Fd. Ptg. Red. Prf B 0.8417p
Treasury 8% 2009 4pc.
Vogelstruisbult Metal 25cts.

THURSDAY SEPTEMBER 26
Bogod 0.22p
Do. A 0.44p
Bradstock 1.35p
Dakota 0.5p
Exchequer 12¼% 1999 6.125pc.
Jersey Phoenix Tst. 1.875p
Treasury 13½% 2004/08 6.75pc.
Vaux 10¾% Deb. 2019 5.375pc.
Do. 9⅞% Deb. 2015 4.9375pc.
Do. 11¾% Deb. 2010 5.875pc.

FRIDAY SEPTEMBER 27
American Cynamid 37.5cts.
Anglia Bldg. Soc. Fltg. Rate Nts. 1996 87/92 £144.36
Associated Fisheries 1p
Black & Decker 10cts.
Blacks Leisure 2.25p
Brit. Gas 13% Nts. 1993 6.5pc.
CSC Inv. Tst. 2p
Cardiff Automobile Receivables Sec. (UK) Fltg. Rate Nts. 1995 £293.01
Electric & General Inv. 1.5p
Evode 1.78p
Grafton 2.5p
Harland Simon 5.5p
Hill & Smith 2.1p
Invergordon Distillers 2.5p
Isle of Man Steam Pkt. 3p
Mersey Docks & Harbour 6¾% Red. Deb. 96/99 3.375pc.
National & Provincial Bldg. Soc. Fltg. Rate Nts. 1996 £144.36
North Midland Constn. 0.5p
Nu-Swift 10p
Oceana Inv. Corp. 11p
RCO Hldgs. 4.2p
Radius 0.9p
River & Merc. Geared Cap. & Inc. Tst. 1.4p
Saitama Bank Fltg. Rate Sub. Ln. Ptpn. Cert. 2000 $166.43
Securicor 0.616p
Do. A NV 0.616p
Do. 4.55% Ptg. Prf. 16.45p
Security Services 1.291p
TR Smaller Co's Inv. Tst. 2.2p
Unidare 4.1p

SATURDAY SEPTEMBER 28
Shell Trans. & Trading 5½% 1st Prf. 1.925p

SUNDAY SEPTEMBER 29
Guaranteed Export Finance Corp. 12⅞% Gtd. Ln. (Reg.) 2002 6.4375pc.
Metropolitan Water Chelsea WW 2¾% Deb. 1897 1.375pc
Tendring Hundred Waterworks 4½% Red. Deb. 2.25pc.

RESULTS DUE

More gloom is expected from construction and materials sector

MORE very gloomy news is expected from the construction and building materials sector this week, coming hard on the heels of the depressing results and outlook presented last Thursday by RMC, the world's largest concrete producer.

Tarmac, the Wolverhampton-based group, will be the centre of attention when it reports tomorrow.

Its involvement in materials and construction in the US and UK "is just a nightmare," said one analyst.

Forecasts for its interim pre-tax profits to June run from around £35m down, against £97.8m a year ago.

Its comments on the current half will be closely monitored as will its high gearing and thin interest cover.

Heavy involvement in poor US construction markets such as Virginia and Florida and UK house building are just two of its weak areas.

Interim results of **Ibstock Johnsen**, the brick and tile maker, will be just just as battered on Thursday. Forecasts range from a small profit to a loss against £22.2m pre-tax profit a year earlier.

Redland, also reporting on Thursday, should be somewhat more encouraging. Underpinned by its foreign markets, particularly Germany, it is likely to report interim pre-tax profits of around £75m (£108m).

The reporting season takes something of a breather this week. FT-SE 100 stocks are thin on the ground, although a raft of medium and small companies are producing their results.

Among notable companies to watch for are **PFG Hodgson Kenyon International**, the funeral directors, today, **Hays**, the business services group, tomorrow, and **Boddington Group**, the brewer which narrowly failed in its bid earlier this year for Devenish, on Wednesday.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.91	17.03	18.54
0100	15.83	15.81	15.81
0130	14.02	15.81	15.81
0200	15.82	15.81	15.81
0230	15.82	15.81	15.81
0300	14.00	15.81	15.81
0330	6.00	15.67	15.67
0400	6.00	15.58	15.58
0430	6.00	15.50	15.50
0500	6.00	15.50	15.50
0530	15.80	15.50	15.50
0600	15.88	15.50	15.50
0630	15.88	15.60	15.60
0700	15.95	15.65	15.65
0730	15.93	15.60	15.60
0800	15.95	15.81	15.81
0830	16.18	16.93	18.42
0900	16.18	16.93	18.41
0930	16.70	17.27	18.76
1000	16.75	17.40	18.89
1030	17.65	17.57	19.06
1100	17.65	19.00	20.54
1130	18.10	19.00	20.53
1200	18.10	19.00	20.55
1230	19.72	21.74	23.36
1300	19.72	21.74	23.36
1330	17.61	18.60	20.12
1400	17.61	17.71	19.22
1430	16.81	17.71	19.23
1500	16.81	15.81	15.81
1530	15.95	15.81	15.81
1600	15.95	15.67	15.67
1630	15.95	15.67	15.67
1700	16.81	15.81	15.81
1730	16.81	15.81	15.81
1800	16.81	17.71	19.23
1830	16.81	17.71	19.23
1900	18.10	17.71	19.23
1930	19.29	17.71	19.23
2000	22.09	17.71	19.22
2030	22.09	17.71	19.22
2100	19.29	21.31	22.92
2130	19.29	21.31	22.92
2200	18.10	19.61	21.17
2230	18.04	17.40	18.88
2300	18.04	17.40	18.89
2330	16.81	17.40	18.91
2400	18.04	17.27	18.78

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.80/MWh becomes 1.680p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.95	16.64	17.84
0100	15.93	16.64	17.84
0130	15.90	15.81	15.81
0200	15.90	15.81	15.81
0230	15.90	15.81	15.81
0300	15.90	15.81	15.81
0330	15.90	15.67	15.67
0400	15.90	15.60	15.60
0430	15.90	15.60	15.60
0500	15.90	15.50	15.50
0530	15.88	15.50	15.50
0600	14.02	15.50	15.50
0630	16.01	15.50	15.50
0700	16.25	15.65	15.65
0730	17.89	15.80	15.80
0800	19.31	15.80	15.80
0830	19.82	16.55	17.70
0900	20.18	17.28	18.45
0930	24.23	17.33	18.51
1000	24.56	17.50	18.67
1030	24.82	18.82	20.04
1100	25.03	18.82	20.04
1130	25.86	18.82	20.04
1200	26.91	18.82	20.04
1230	30.11	18.82	20.04
1300	29.15	18.82	20.04
1330	24.14	17.82	18.81
1400	23.74	17.82	18.81
1430	23.55	15.95	15.95
1500	23.51	17.82	18.81
1530	23.51	16.95	16.95
1600	24.94	17.82	18.82
1630	25.56	17.82	18.82
1700	24.80	17.82	18.82
1730	24.47	17.82	18.81
1800	23.76	17.82	18.81
1830	22.27	17.62	18.81
1900	22.44	17.82	18.82
1930	23.38	15.95	15.95
2000	23.40	15.95	15.95
2030	23.34	17.82	18.81
2100	23.24	19.80	21.05
2130	19.12	21.48	22.75
2200	19.10	19.80	21.05
2230	18.09	19.80	21.04
2300	16.25	17.34	18.51
2330	16.05	17.34	18.53
2400	15.99	17.33	18.53

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Sep 20	Sep 19	Sep 18	Sep 17	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3019.23	3024.37	3017.89	3013.19	3055.23 (28/8)	2470.30 (9/1)	3055.23 (28/8/91)	41.22 (2/7/32)
Home Bonds	96.62	96.48	96.56	96.57	96.62 (20/9)	91.30 (16/1)	96.62 (20/9/91)	54.99 (1/10/81)
Transport	1187.24	1181.24	1174.19	1176.30	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	208.19	208.00	208.25	207.62	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3045.39 (3050.76) Low 3002.46 (3002.9?)

STANDARD AND POOR'S	Sep 20	Sep 19	Sep 18	Sep 17	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	387.92	387.56	386.94	385.50	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	459.47	459.41	458.84	457.08	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	31.70	31.52	31.32	31.15	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	212.98	212.74	212.23	211.54	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	370.60	368.68	367.15	366.28	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	527.19	522.67	518.55	515.17	527.19 (20/9)	355.75 (14/1)	527.19 (20/9/91)	54.87 (31/10/72)

	Sep 13	Sep 6	Aug 30	year ago (approx.)
Dow Industrial Div. Yield	3.07	3.04	3.01	3.95

	Sep 18	Sep 11	Sep 4	year ago (approx.)
S & P Industrial div. yield	2.73	2.74	2.70	3.29
S & P Indl. P/E ratio	21.15	21.01	21.33	15.12

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Morgan (JP)	3,993,600	58¼	+ 1
Am T & T	3,480,400	37⅞	- ⅛
Pepsico	2,565,400	29½	- ⅛
Shaw Inds	2,441,200	34½	+ ⅛
Amer Home Pr	2,355,100	70	+ 1⅛
Wal-Mart	2,283,300	49⅝	—
Glaxo	2,232,000	49	+ 1¼
Philip Morris	2,170,700	72⅞	—
Gen Motors	1,986,000	36⅝	- ¼
Exxon	1,973,200	59	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Sep 20	Sep 19	Sep 18
New York SE	241.340	210.770	141.280
Amex	18.309	13.882	9.855
NASDAQ	226.511	206.941	132.248
NYSE			
Issues Traded	2,102	2,113	2,088
Rises	917	897	853
Falls	632	657	678
Unchanged	553	559	557
New Highs	126	123	81
New Lows	18	19	18

CANADA

TORONTO	Sep 20	Sep 19	Sep 18	Sep 17	1991 HIGH	1991 LOW
Metals & Minerals	2894.73	2915.43	2919.88	2934.86	3299.99 (18/7)	2632.06 (9/1)
Composite	3407.17	3411.93	3418.48	3417.96	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1811.19	1815.06	1820.30	1817.97	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

Swiss Bank Ind. (31/12/58)	748.4	746.8	746.0	753.1	769.2 (29/8)	590.4 (14/1)
SBC General (1/4/87)	616.8	615.8	616.0	620.6	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4653.27	4893.32	4639.35	4532.25	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	712.50	703.88	718.48	711.28	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) (§)	508.5*	509.4	509.7	512.3	529.2 (17/4)	439.1 (16/1)

**Saturday September 14: Taiwan Weighted Price: 4534.26 Korea Comp Ex. 688.71.
§ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Friday 20 September 1991

	Stocks Traded	Closing Prices	Change on day
Dainippon Ink	25.8	633	-2
Meiji Seika	15.6	1,310	-70
Nippon Steel	7.8	412	-7
Cosmo Oil	7.2	886	-5
Kurabo Ind.	6.2	960	-10
Mitsubishi Heavy	6.1	743	+4
Japan Airlines	5.8	1,280	+10
Clarion	4.8	1,300	-200
NKK	4.5	395	-6
Osaka Gas	4.4	587	+7

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AUTHORISED UNIT TRUSTS

Manulife Management Ltd (1200)H
St George's Way, Stevenage Dealings:071-256 5858

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Growth Units	5¼	136.2	136.2xd	144.9	4.10	40905
Gilt & Fxd Int.	5	151.8	151.8	159.7	7.93	40904
Intl Growth	5¼	146.8	146.8	156.2	0.45	40908
North American ♥	5¼	97.36	97.36	103.6	0.33	40910
Far East	5¼	115.8	115.8	123.2	0.52	40911
UK Smaller Cos	5¼	106.9	106.9	113.7	2.79	40909
European	5¼	53.45	53.45	57.02	1.15	40912
Japanese Growth	5¼	36.47	36.47	39.06	0.00	47786
Managed P'folio	5¼	49.73	50.09	53.29	1.56	47787
High Income	5¼	150.1	151.9xd	161.6	5.78	40906
High Yielding Gilt	5¼	61.64	61.64	64.88	9.61	40907
Cash		51.91	51.91	51.91	9.03	40061

For Geoffrey Morley see Commercial Union

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation.
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

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Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	303.1	303.1	323.3	1.30	41410
(Accum Units) ♥	5	354.6	354.6	378.4	1.30	41411
British	5	823.0	823.0	870.7	5.50	41416
(Accum Units)	5	1352.1	1352.1	1430.5	5.50	41417
European	5	330.0	330.0	351.4	1.49	41418
(Accum Units)	5	353.7	353.7	376.7	1.49	41419
Japan	5	114.4	114.4	121.5	–	41420
(Accum Units)	5	115.3	115.3	122.4	–	41421
New Pacific	5	166.5	166.5	176.9	1.99	46366
(Accum Units)	5	170.9	170.9	181.6	1.99	47954
PEP Sept 18	5	142.8	145.0	153.4	3.65	47988
Mngd Equity	5	122.8	124.6	131.9	3.51	47986
Mngd Equity Acc	5	130.2	130.2	139.9	3.51	48096
Mngd Cash	5	97.07	97.07	99.97	10.49	47985
(Accum Units)	5	115.0	115.0	118.4	10.49	40267
Mngd Fixed Int Acc Aug 28	5	122.9	122.9	130.0	6.77	48232
Majority Stkg	1	101.10	101.10	102.10	10.39	42703
Majority Stkg Acc	1	106.05	106.05	107.10	10.39	46689
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries 0277 227300 Dealing: 0277 261010						
International Sep 13	0	50.91	50.91	51.46	3.46	46906
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
Sun Alliance House, Horsham 0403 56293						
Equity	6	614.1	621.7	664.9	3.05	41423
North America	6	77.44	78.21	83.65	1.08	41424
Far East	6	88.67	89.67	94.80	1.53	41425
W'wide Bond	6	47.96	47.96	51.02	6.15	41426
European	6	66.36	66.36	70.97	1.20	41429
Equity Income	6	71.60	71.60	76.58	5.29	41430
Portfolio	6	58.08	58.08	62.12	1.97	41431
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview, Basingstoke, Hants 0800 525725						
American Growth	6	25.88	25.88xd	27.68	0.39	41795
Managed Assets	6	104.47	105.14	112.45	3.69	44067
UK Income	6	33.34	33.82	36.18	4.33	41432
UK Growth	6	33.30	33.69	36.04	3.02	41433
Worldwide Growth	6	24.43	24.43	26.13	0.82	41434

Sun Life Trust Mngmt Ltd (1200)H

	Bid Price	Offer Price	Yield Gross	City-line
Funds in Court*				
Capital Sep 19	509.13	512.89	2.39	40505
Gross Sep 19	188.71	190.23	10.25	40506
High Yield Sep 19	298.04	300.44xd	7.32	40507
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	54.18	55.31	3.64	40676
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1188	1280	–	46964
Mngd Pens (Acc)	70.7	75.4	–	41007
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.0	2600.0	6.00	40777
Inc Gth Prp Apr 16	£1325.0	1460.0	7.20	40778
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Sept 19	£3819.7	3994.9	4.07	40766
European Sept 19	£545.7	551.5	2.06	40776
American Sept 19	*£350.0*	*353.7*	*2.30*	*40773*
Japan Sept 19	£505.1	511.4	1.27	40774
Pacific Sept 19	£138.0	141.4	1.96	40775
W Midlands Aug 30	£144.50	161.30	2.48	40771
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Aug 31	199.20	203.20	7.39	40825
Equity Aug 31	885.85	898.25	4.30	40826
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Sept 18		104.35	10.33	40883
(Accum Units)		599.6	10.33	40884
NAACIF Sept 17		43.43	9.05	46917
Morgan Grenfell Unit Trust Managers Ltd				
Exempt Funds				
UK Equity ! Sept 17	130.9	140.5	3.64	46925
UK Small Co ! Sept 17	527.2	579.9	3.47	46926
Fixed Interest ! Sept 17	111.0	116.7	8.55	46920
US Small Co Sept 17	160.7	171.9	0.00	46927

Century Life Plc
2 Eyre Street Hill London EC1R 5AE 071-278 4488
City Of Edinburgh Life Assurance
Life Funds

	Bid Price	Offer Price	Yield Gross	City-line
Far East Emerg Econ	36.9	38.7	–	47033
Fund of Inv Tsts	60.9	64.0	–	47806
Money	153.7	161.3	–	41922
Special Situations	85.6	89.9	–	47808
UK Growth	129.5	135.9	–	47810
World Growth	116.8	122.6	–	47812

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	Yield Gross	City-line
N & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348				
Life Managed Fd	108.5	114.3	-	41924
Pension Managed Fd	107.8	113.5	-	41926
Life Deposit Fd	109.5	115.2	-	41923
Pension Deposit Fd	115.6	121.7	-	41925
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	114.7	120.8	-	47150
Managed Growth	140.3	147.7	-	47151
Managed Opportunity	140.5	147.9	-	47152
NFMC Target Financial	106.5	112.2	-	47153
Pension Funds				
Managed Cautionary	125.3	131.9	-	47154
Managed Growth	148.4	156.3	-	47155
Managed Opportunity	140.7	148.2	-	47156
NFMC Target Mngd Pen	1570.1	1652.8	-	47157
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Harvester Pension Funds				
Managed	167.3	176.2	-	43142
UK Equity	179.7	189.2	-	43135
Overseas Equity	131.5	138.5	-	43136
Fixed Interest	153.1	161.2	-	43137
Property	136.9	143.1	-	43138
Index Linked	130.6	138.6	-	43139
Deposit	161.4	169.9	-	43140
With Profits (B)	132.1	139.1	-	44128
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	359.9	378.9	-	43163
UK Equity	457.6	481.7	-	43164
Overseas Eq	347.7	366.1	-	43165
American	288.3	303.5	-	43166
Far East	365.3	384.6	-	43167
Property	194.7	205.0	-	43168
Fixed Int	269.8	284.1	-	43169
Indexed Gilt	160.2	168.7	-	43170
Deposit	185.6	195.4	-	43171
With Profit	103.2	108.7	-	44771
Pension Fund (Accum Units)				
Managed	516.4	543.6	-	43173
UK Equity	616.9	649.4	-	43175
Overseas Eq	578.6	609.1	-	43177
American	367.6	387.0	-	43179
Far East	597.2	628.7	-	43181
Property	247.4	260.5	-	43183
Fixed Int	336.3	354.1	-	43185

	Bid Price	Offer Price	Yield Gross	City-line
Providence Capital Life Assc. Co Ltd				
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888				
UK Equity Acc	232.2	245.0	-	43411
UK Fixed Int Acc	186.2	196.5	-	43412
Intl Equities Acc	175.2	184.9	-	43413
UK Managed Acc	177.0	186.7	-	43414
Property Acc	224.2	236.6	-	43415
Money Acc	131.5	138.8	-	43416
Special Market Acc	147.1	156.2	-	43417
Japan Equity Acc	99.7	105.2	-	46760
North American Acc	105.2	111.0	-	43419
Pacific Acc	92.4	97.5	-	43420
Technology Acc	121.4	128.1	-	43421
Nat Resources Acc	52.8	55.7	-	43422
European Acc	102.1	107.8	-	43424
Residential Prop Acc	96.4	101.7	-	43425
Swiss Equities Acc	33.8	35.7	-	43426
Hong Kong Acc	66.6	70.3	-	43427
UK High Inc Eq Acc	76.0	80.2	-	43428
Int Fixed Interest Acc	59.8	63.1	-	46406
Int Managed Acc	56.7	59.8	-	46407
HIP Managed Acc	118.7	125.2	-	46751
HIP Managed II Acc	103.1	108.7	-	41928
HIP Managed III Acc	110.1	116.1	-	45881
Total Investment Bond				
UK Equity Initial		157.7	-	43429
UK Fixed Int Initial		126.7	-	43430
Intl Equities Initial		118.4	-	43431
UK Managed Initial		120.4	-	43432
Property Initial		153.6	-	43433
Money Initial		89.9	-	43434
Special Market Initial		114.3	-	43435
Japan Equity Initial		77.3	-	46762
North American Initial		81.6	-	43437
Pacific Initial		71.6	-	43438
Technology Initial		94.2	-	43439
Nat Resources Initial		40.9	-	43440
European Initial		91.5	-	43442
Residential Prop Init		92.0	-	43443
Swiss Equities Initial		32.3	-	43444
Hong Kong Initial		63.6	-	43445
UK High Inc Eq Init		72.5	-	43446
Int Fixed Interest Init		57.8	-	46408
Int Managed Init		54.9	-	46409
HIP Managed Init		115.2	-	46752
HIP Managed II Initial		101.4	-	41927
HIP Managed III Init		109.5	-	45882
Broker Funds				
High Performance	75.0	79.1	-	43448
Towerhill Mngd Fd Acc	63.4	66.8	-	43447
YRA Executive Fd	97.9	103.2	-	43449
£ Global Growth Acc	128.6	135.6	-	47160
£ High Income Money Acc	142.4	150.2	-	47161
IW Balanced		55.1	-	47162
H.F. Speculator Fd		121.6	-	43451

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

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Baring International Fd Mngrs (Ireland) Ltd

	Bid Price	Offer Price	Yield Gross	City-line
Australia	$16.35	17.17	1.05	44759
Japan Tech.	$60 02	63 03	-	44762
Japan Fund	$25 45	26 73	0 17	44763
Japan New Gentn Fd	$19 38	20.35	-	44764
Malay Sing.	$50 94	53 49	0.31	44765
Nth American	$21.80	22.89	0.58	47418
Octopus Fund	$21 06	22 12	0 88	44766
Pacific Fd	$61.56	64 64	-	44767
International Bond	$17 15	18 01	4 89	44769
Europa Fund	$13.59	14.28	-	47191
British Screen Fd	£0 95	1 00	-	47190
Tristar Warrant	$10 24	10 76	-	47419
Hong Kong	$48.31	50 73	3 09	44761
Mngd Portfolio (Stlg)	£4 23	4 55	-	47319
Mngd Portfolio (Dlr)	$10.24	10 80	-	47318
Currency Fd–Sterling	£19 41		-	44755
Currency Fd–US Dollar	$15.31		-	44754
Curr Fd–Deutschemark	DM40.37		-	44756
Curr Fd–Managed $	$44.32	46.53	-	44758

Federated International Funds Plc

Federated Short-term US Gov't Securities Fund

	Bid Price	Offer Price	Yield Gross	City-line
Inst. tutional Ser Series *	$1.00		5.63	40562
Investment Series *	$1 00		5 63	40563

* Annualised Yield

Midland Bank Fund Managers (Jersey) Ltd

PO Box 26, St Helier, Jersey 0534 606000

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Intl Circuit Portfolio	6	0.9927	0.9927	1 0529	2.67	41027
Gilt	3	0 9580	0.9580	0.9878	10.12	45446

For MIM see INVESCO MIM

Royal Trust Jsy Fd Mngt Ltd (1400)F

PO Box 428, St Helier, Jersey 0534 76077

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Govt Secs Fd	4	56.50	56.50	59 02	9 49	46734

TSB Trust Funds (CI)

PO Box 598, St Helier, Jersey 0534 73494

TSB Offshore Investment Fund Ltd

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Stg Deposit Class	3	103 65	103 65	106 76	10.30	45837
Gilt & Fixed Interest	3	106 41	106 41	109 62	8.80	43466
Blue Chip & Gilt Equal	5	51 81	51.81	55.20	3 62	45836
International Bond	5	110.41	110 41	115 95	6.91	43472
UK Equity	5	131.36	131.36	143 01	0.96	43572
International Equity	5	115.53	115.53	123.58	0.00	43569
Far Eastern	5	88.45	88.45	94.80	0.00	43481
European	5	89.21	89 21	94.44	0.00	43458
Pan American	5	144.14	144 14	153.60	0 00	43570

TSB Gilt Fund Ltd

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Quarterly Share	3	100.16	100 16	103 49	9 95	45833
Monthly Share	3	98.07	98 07	101 32	10.17	45834

Warburg Asset Management Jersey Ltd

Wardley Fund Managers (Jersey) Ltd

Wardley Funds Limited

Worldinvest (Management) Jersey Ltd

Valued weekly

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F

Lord Street, Douglas IoM 0624 661551

Asset Global Funds Ltd (1200)

CMI Fund Managers (IoM)

Equity & Law Intl Fund Mngrs Ltd

Gartmore Fund Managers (IoM)

Leopold Joseph Fund Mngrs (IoM) Ltd

Mercury Fund Managers IoM Ltd

Sun Life Management (IoM) Ltd

Unibank Scandinavian Fund Ltd

JERSEY (REGULATED)(**)

Barclays Intl Funds

Currency Funds

Brown Shipley Fund Mgmt (CI) Ltd

Cater Allen Investment Management (CI)

Citibank (CI) Ltd "Citifunds"

EBC Trust Company (Jersey) Ltd

Equitilink International Mngt Ltd

ISLE OF MAN (REGULATED)(**)

CMI Fund Mngrs (IOM)

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

Equity & Law International Fund Mgrs Ltd

Gartmore Fund Managers (IoM) Ltd

John Govett Management (IoM) Ltd

IBI Global Funds Limited

Target International (Isle of Man) Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Brown Shipley Fund Mgmt (CI) Ltd

Capital House Fund Mgrs (CI) Ltd (0900)H

Gartmore Fund Managers International Ltd

John Govett (Channel Islands) Ltd (1000)F

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F

INVESCO MIM International Limited

Lloyds Bank (CI) U/T Mgrs.

Fidelity Investment (CI) Ltd

Fleming Group

Foreign & Colonial Mgmt (Jersey) Ltd

John Govett Management (Jersey) Ltd

Holborn Fund Management (Jersey) Ltd

INVESCO MIM International Limited

Management International (Jersey) Ltd

Minerals, Oils Res. Shrs. Fd. Inc.

Morgan Grenfell Funds Mgmt (Jersey) Ltd

Murray Johnstone (Jersey) Ltd

Nat. Westminster Jersey Fd. Mgrs. Ltd

Northgate Unit Tst. Mngr. (Jersey) Ltd

Perpetual UT Mngrs (Jersey) Ltd

The Portugal Fund Limited

Royal Trust Intl Fd Mngt Ltd

Schroder Mngt Services (Jersey) Ltd

Scimitar Worldwide Mngt Fund Ltd

Scimitar Worldwide Selection Fd Ltd

Scrimgeour Kemp-Gee Mngt, Jersey

TSB Trust Funds (CI)

Target Internat. Management (Jersey) Ltd

Tyndall International

LUXEMBOURG (SIB RECOGNISED)

Abbey Global Investment Fund (u)

41 Ave de la Gare, L-1611, Luxembourg

Aetna Intl Umbrella Fund (u)

Barclays Intl Funds (Luxembourg) (u)

CMI Asset Management (Luxembourg) SA

Commercial Union Luxembourg SA (u)

Credit Suisse

Dresdnerbank Asset Mngmt SA (u)

EquiFund–Wright National Eqty Fd (u)

Fidelity Funds (u)

Fleming Group (u)

Gartmore Indosuez Funds

Henderson Management SA (u)

Hill Samuel Inv Services Intl SA (u)

Hypo Foreign & Colonial Port Fd Sicav(u)

INVESCO MIM International Limited (u)

Kleinwort Benson Select Fund (u)

Latin American Management Co Ltd (u)

Liberty ALL-STAR World Pfolio-Eqty Fd(u)

Lloyds Bank Luxembourg

Midland International Circuit Fund SICAV(u)

Morgan Grenfell UT Mgrs/Deutsche Bk (u)

Nomura Global Fund (u)

Norwich Union Intl Portfolio (u)

Sanwa International Selection Fd (u)

Sun Life Global Management Ltd (u)

Templeton Global Strategy SICAV

Touche Remnant (Guernsey) Ltd

Tyndall Global Fund SICAV

S.G. Warburg Asset Mngmt Lux SA (u)

Wardley Investment Services (Lux) SA (u)

Barclays Luxembourg SA (u)

Wardley Investment Services–Contd.

LUXEMBOURG (REGULATED)(**)

Alliance Capital

Asian Development Equity Fund

Atlantis Sicav

Banque Ferrier Lullin (Lux) SA

Banque Paribas Luxembourg

CB Fund International (u)

CS Investment Serial Fund Sicav

Cadevalor (u)

Cortexa International (u)

Credit Commercial de France

Credit Suisse

Daiwa Japan Gen Fund

Daiwa Japan Small Equity Fd (u)

Dean Witter World Wide Invest. Tst SA

The Dragon Fund Sicav

Dresdnerbank Asset Management SA (u)

Espirito Santo Investment Mngmt (SICAV)

Eurasia Management S.A.

Europe Value Fund (u)

Fidelity Int Inv Mngt (Luxembourg) SA (u)

Fidelity Investment (CI) Ltd

Finistra International Group NV

Fire Arrows Intl Bond Fund (u)

Fleming Group

Gartmore Luxembourg S.A.

Global Bond Trust

International Specialty Fund (u)

INVESCO MIM International Limited

Investments Atlantiques SICAV

JF International

Lazard Intl Fds-Global P'folio FCP (u)

Lloyds Bank Luxembourg

Mediterranean Fund (SICAV) (u)

Merrill Lynch Asset Management

Morgan Stanley Sicav

Nikko Bank (Luxembourg) S.A.

Nomura Asia Europe Fund

Nomura Prudential Global Portfolio

Nomura Rothschild Europe Bond Fund

Pacific Basin Growth Fund

Rosenberg Management SA (u)

Rosenberg US Japan Magnet Co SA (u)

Saitama

Sanwa International

Smith New Court Intl Gwth Fd

Target International Fountain Fund

Target International Ltd

Templeton Worldwide Investments

LUXEMBOURG (REGULATED)(**)

Top Brand Fund Intl–SICAV (u)

Transworld Bond Trust

US Pacific Stock Fund (u)

Unibank SA, Frontrunner (u)

Union Financial Services SA Lux

Viking Fund–SICAV

"WINTERTHUR" Fund Management Co (Lux) SA

World Bond Fund–SICAV (u)

World Capital Gwth Fd–SICAV (u)

World Trust Fund

Yamaichi Advanced Technology Fd

Yamaichi 1992 OMNI Fund SICAV (u)

SWITZERLAND (SIB RECOGNISED)

B.I.A. Bond Investments AG

OTHER OFFSHORE FUNDS

ATSP Management Ltd

Abtrust Fund Mngrs (Guernsey) Ltd

Aetna Malaysian Growth Fd (Cayman) Ltd

Alliance Capital

Asia Convertibles & Income Fd (Cayman) Ltd

Asia Pacific Investment Fund

BEA Associates

Julius Baer Bank & Trust Co Ltd

Baring International Group

The Batavia Fund Ltd

Bermuda Intl Investment Mngmt Ltd

Bridge Management Ltd

Brown Brothers Harriman

Butterfield Management Co Ltd

CDC International

Carnegie Fund Management

Connaught Investments Ltd

Credit Lyonnais Intl Asset Mngmt (HK) Ltd

Credit Lyonnais Rouse (Bermuda) Ltd

DWS Deutsche Ges. f. Wertpapiersp.

Daiwa Intl Capital Management (H.K.) Ltd

Daiwa Japan Equity Warrant Fund

Emerging Markets Management Co

Enskilda International

European Bank Fund

Fidelity International Ltd

Fleming Group

The French Prestige Fund

Frankfurt Trust Investment-GmbH

GT Management Plc

GT Management Plc–Contd.

GT Ohio Growth Fund Ltd

GT Investment Mngmt Ltd

Gartmore Investment Ltd

Global Asset Management

Granville Management Ltd

Group One International Ltd

Guinness Flight Fund Managers (Guernsey) Ltd

Hambros Bank (Guernsey) Ltd

Hill Samuel Investment Services Intl Co Ltd

Indosuez Asia Investment Services Ltd

Indosuez Fund Management

Jardine Fleming Unit Trusts Ltd

Kleinwort Benson Japanese Warrant Fund

Lehman Brothers Sports Growth Fund

Lloyds Bank Geneva Switzerland

Lloyds Bank Intl Fund Mngrs

London Portfolio Services plc

Malaysia Capital Fund Ltd

Malaysian Select Fund Ltd

Malaysian Smaller Co's Fd (Cayman) Ltd

Merrill Lynch Global Currency Portfolio

Mitsubishi Finance International Ltd

Morgan Stanley Japanese Warrant Fund

NM Financial Mngt Intl Ltd

The New Zealand Fund

Newport International Management

Nomura Warrant Fund 1990 Ltd

North Star Fund Managers (Cayman) Ltd

Northfield International Ltd

Optima Fund Management

Orbis Investment Management Ltd

Orbitex Bahamas Ltd

ORIENT Growth Fd

PKA Futures Trading (Cayman) Ltd

PRS International

Pacific Growth Fund

Pakistan Fund

Pierson Heldring & Pierson

Portuguese Investment Fund Ltd

Prospect H I Port N.V.

Putnam International Advisers Ltd

Pyrford International Management SA Switz

Quantum Fund NV

Real Estate Strategies Ltd

Regent Fund Management Ltd

Rothschild Asset Management (CI)

Rothschild Asset Management

Royal Trust North American Bond Fd

Sabre Futures Fund

Schroder Investment Management Limited

Schroder Japanese Warrant Fund

Schroders Asia Limited

Schroders Australia Ltd

Scimitar Bermuda Funds

Scudder, Stevens & Clark Inc

Sequoia Securities (Bermuda) Ltd

Singer & Friedlander Ldn Agents

Tokai Fund Managers Ltd

Tokyo Pacific Holdings N.V.

Templeton Galbraith & Hansberger Ltd

The Thai Development Capital Fd

The Thai-Euro Fund Ltd

The Thai Prime Fund Limited

The Thailand Fund

The Thailand Intl Fund Ltd

Thornton Investment Management Ltd

Thames Currency Fund Ltd

T. Rowe Price Associates, Inc

Tyndall International (Bermuda) Ltd

Unico Investment Fund

Wellington Fd Mngrs (Bermuda) Ltd

Wells Fargo U.S. IT Fund

Zephyr Asia Trust

MANAGED FUNDS NOTES

هكذا من الأصل

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Economic worries undermine dollar

THE US dollar made another attempt last week to break out of the range it has been trapped in since the spring. The reasons for the dollar's strength during February and March were hopes that the US would swiftly move out of recession.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

But each advance appears to be weaker than the previous one as American economic reports indicate that only a sluggish recovery is underway.

Behind the dollar's recent strength has been a heightening of international tension, with peace attempts failing in Yugoslavia and worries about the health of Mr Boris Yeltsin coming to the fore.

Events in Eastern Europe are likely to provide only temporary relief as was the case with the dollar's rise during the attempted coup in the Soviet Union. Of greater significance will be the growing body of evidence which suggests that a timid recovery is taking place in the US.

This is spurring the Federal Reserve to loosen monetary policy and further cuts in rates are likely later in the month if data for September show no improvement. But this only serves to further weaken the dollar.

This week the market's news is for August and most analysts doubt whether it will give a boost to the dollar. In particular, the durable goods figures are expected to disappoint hopes that consumers will lead the US out of recession.

July's monthly increase of 11.2 per cent, which prompted talk of a strong recovery, will be followed by a fall of 5 per cent, according to analysts at Hoare Govett.

£ IN NEW YORK

Sep.20	Close	Previous Close
£ Spot	1.7298-1.7308	1.7295-1.7305
1 month	0.72-0.70pm	0.72-0.70pm
3 months	2.00-1.97pm	2.00-1.97pm
12 months	6.62-6.52pm	6.60-6.50pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep.20	Previous
8.30 am	91.0	90.8
9.00 am	91.0	90.8
10.00 am	91.1	90.9
11.00 am	91.1	90.9
Noon	91.0	90.9
1.00 pm	91.1	90.9
2.00 pm	91.1	90.9
3.00 pm	91.0	90.9
4.00 pm	91.0	91.0

OTHER CURRENCIES

Sep 20	£	$
Argentina	17072.5 - 17134.6	9900.00 - 9910.00
Australia	2.1680 - 2.1700	1.2565 - 1.2570
Brazil	759.300 - 760.270	440.050 - 440.350
Finland	7.0850 - 7.1065	4.1190 - 4.1220

CHICAGO

POUND SPOT - FORWARD AGAINST THE POUND

Sep 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7215 - 1.7295	1.7270 - 1.7280	0.70-0.68cpm	4.79	1.97-1.94pm	4.53
Canada	1.9545 - 1.9630	1.9575 - 1.9585	0.34-0.25cpm	1.81	0.88-0.77pm	1.69
Netherlands	3.2775 - 3.3040	3.2775 - 3.2875	[illegible]cpm	1.14	[illegible]pm	0.84
Belgium	60.00 - 60.50	60.05 - 60.15	11-3cpm	1.40	27-8pm	1.16
Denmark	11.2455 - 11.3220	11.2700 - 11.2800	[illegible]orepm	0.80	[illegible]pm	0.35
Ireland	1.0910 - 1.0985	1.0925 - 1.0935	0.05-parcpm	0.27	0.13-0.03pm	0.29
Germany	2.9125 - 2.9275	2.9125 - 2.9175	[illegible]pfpm	1.29	[illegible]pm	0.86
Portugal	249.80 - 251.70	249.85 - 250.85	43-70cdis	-2.71	190-263dis	-3.61
Spain	182.95 - 184.05	183.45 - 183.75	22-33cdis	-1.80	88-105dis	-2.10
Italy	2179.50 - 2192.85	2179.50 - 2180.50	1-2liredis	-0.83	6-8dis	-1.28
Norway	11.3970 - 11.4755	11.4250 - 11.4350	[illegible]oredis	-0.52	[illegible]pm	0.26
France	9.9200 - 9.9880	9.9200 - 9.9300	[illegible]cpm	1.21	[illegible]pm	0.76
Sweden	10.6105 - 10.6825	10.6350 - 10.6450	[illegible]orepm	-0.21	[illegible]dis	-0.23
Japan	231.50 - 232.75	231.50 - 232.50	[illegible]ypm	3.56	[illegible]pm	3.56
Austria	20.51 - 20.63	20.51 - 20.54	[illegible]gropm	1.10	[illegible]pm	0.63
Switzerland	2.5400 - 2.5590	2.5400 - 2.5500	[illegible]cpm	2.36	[illegible]pm	1.96
Ecu	1.4240 - 1.4330	1.4240 - 1.4250	0.09-0.04cpm	0.55	0.11-0.04pm	0.21

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.55-3.50cpm. 12 Month 6.48-6.38cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7215 - 1.7295	1.7270 - 1.7280	0.70-0.68cpm	4.79	1.97-1.94pm	4.53
Ireland†	1.5725 - 1.5820	1.5780 - 1.5790	0.60-0.55cpm	4.37	1.73-1.63pm	4.26
Canada	1.1345 - 1.1355	1.1345 - 1.1355	0.27-0.33cdis	-3.17	0.80-0.84dis	-2.89
Netherlands	1.8995 - 1.9170	1.8995 - 1.9005	0.57-0.60cdis	-3.69	1.78-1.82dis	-3.79
Belgium	34.75 - 35.00	34.75 - 34.85	9.550-11.50cdis	-3.63	30.50-34.50dis	-3.74
Denmark	6.5250 - 6.5555	6.5250 - 6.5300	2.10-2.40oredis	-4.14	6.80-7.40dis	-4.35
Germany	1.6860 - 1.6990	1.6865 - 1.6875	0.51-0.52pfdis	-3.66	1.60-1.63dis	-3.83
Portugal	144.95 - 145.65	145.00 - 145.10	85-95cdis	-7.45	290-310dis	-8.27
Spain	106.10 - 106.65	106.25 - 106.35	57-63cdis	-6.77	174-182dis	-6.70
Italy	1261.75 - 1272.00	1261.75 - 1262.25	5.80-6.30liredis	-5.75	18.00-19.00dis	-5.86
Norway	6.6115 - 6.6485	6.6150 - 6.6200	2.80-3.10oredis	-5.36	8.35-8.96dis	-5.23
France	5.7425 - 5.7860	5.7425 - 5.7475	1.76-1.81cdis	-3.73	5.68-5.78dis	-3.99
Sweden	6.1425 - 6.1885	6.1575 - 6.1625	2.25-2.50oredis	-4.63	7.10-7.55dis	-4.76
Japan	134.25 - 134.95	134.35 - 134.45	0.15-0.16ydis	-1.38	0.32-0.33dis	-0.97
Austria	11.8900 - 11.9480	11.9200 - 11.9250	3.60-4.00grodis	-3.82	11.20-12.40dis	-3.96
Switzerland	1.4725 - 1.4830	1.4725 - 1.4735	0.31-0.33cdis	-2.61	0.92-0.98dis	-2.58
Ecu	1.2050 - 1.2145	1.2135 - 1.2145	0.45-0.42cpm	4.30	1.34-1.28pm	4.32

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Sep 20	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.728	2.915	232.0	9.925	2.545	3.283	2180.	1.958	60.10	1.425
$	0.579	1	1.687	134.3	5.744	1.473	1.900	1262	1.133	34.78	0.825
DM	0.343	0.593	1	79.59	3.405	0.873	1.126	747.9	0.672	20.62	0.489
YEN	4.310	7.448	12.56	1000.	42.78	10.97	14.15	9397	8.440	259.1	6.142
F Fr.	1.008	1.741	2.937	233.8	10.	2.564	3.308	2196	1.973	60.55	1.436
S Fr.	0.393	0.679	1.145	91.16	3.900	1	1.290	856.6	0.769	23.61	0.560
H Fl.	0.305	0.526	0.888	70.67	3.023	0.775	1	664.0	0.596	18.31	0.434
Lira	0.459	0.793	1.337	106.4	4.553	1.167	1.506	1000.	0.898	27.57	0.654
C$	0.511	0.883	1.489	118.5	5.069	1.300	1.677	1113	1	30.69	0.728
B Fr.	1.664	2.875	4.850	386.0	16.51	4.235	5.463	3627	3.258	100.	2.371
ECU	0.702	1.213	2.046	162.8	6.965	1.786	2.304	1530	1.374	42.18	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

CURRENCY MOVEMENTS

Sep 20	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.0	-20.5
U.S Dollar	65.1	-13.9
Canadian Dollar	106.3	+3.5
Austrian Schilling	109.1	+11.6
Belgian Franc	110.7	-2.4
Danish Krone	108.4	+2.9
D-Mark	117.3	+24.7
Swiss Franc	109.5	+17.9
Dutch Guilder	113.5	+15.6
French Franc	102.1	-13.6
Lira	98.6	-19.9
Yen	138.5	+70.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Sep.19

CURRENCY RATES

Sep 20	Bank ¢ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.784841	0.700397
U.S Dollar	5.50	1.35699	1.21569
Canadian $	8.78	1.54222	1.37050
Austrian Sch	7.50	16.0993	14.4222
Belgian Franc	8.00	47.1520	42.2348
Danish Krone	9.50	8.83808	7.91204

EURO-CURRENCY INTEREST RATES

Sep 20	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10 1/8 - 10
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	8 1/8 - 8	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	8 1/8 - 8	[illegible]	[illegible]	8 1/8 - 8	8 1/8 - 8	[illegible]
D-Mark	9 1/8 - 9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	12 - 10	[illegible]	11 1/2 - 11	11 1/2 - 11	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 6 5/8-6 1/2 per cent; three years 7 1/8-7 per cent; four years 7 3/8-7 1/4 per cent; five years 7 5/8-7 1/2 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sep.20) 3 months US dollars		6 months US Dollars	
bid 5 5/16	offer 5 7/16	bid 5 3/8	offer 5 1/2

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Treasury Bills and Bonds

4pm					
Prime rate	8	One month	4.70	Three year	6.41
Broker loan rate	7 3/4	Two month	5.23	Four year	6.60
Fed.funds	5 1/8	Three month	5.34	Five year	7.07
Fed.funds at intervention	-	Six month	5.46	Seven year	7.38
		One year	5.54	10-year	7.57
		Two year	6.17	30-year	7.89

Sep.20	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.00-9.10	8.95-9.10	9.00-9.15	9.05-9.20	9.20-9.35	9.25
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.25
Zurich	[illegible]	[illegible]	-	[illegible]	-	-
Amsterdam	8.75-8.90	9.11-9.17	-	9.22-9.27	-	-
Tokyo	[illegible]	[illegible]	-	[illegible]	-	-
Milan	[illegible]	[illegible]	-	[illegible]	-	-
Brussels	9.12-9.25	[illegible]	-	[illegible]	-	-
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

LONDON MONEY RATES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

3 Mth. Bank Bills			PARIS		
TOKYO			Intervention Rate		Unch'd
One month Bills			One mth. Interbank		
Three month Bills			Three month		
BRUSSELS			MILAN		
One month			One month		
Three month		Unch'd	Three month		
AMSTERDAM			DUBLIN		
One month	9.14	Unch'd	One month		
Three month	9.245	-0.010	Three month		

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

Charterhouse Bank Limited
1 Paternoster Row, EC4M 7DH. 071-248 4000

Many other currencies are available – for rates please phone ext. 2168

Clydesdale Bank PLC
30 St Vincent Place, Glasgow G1 2HL 041 248 7070

Wimbledon & South West Finance PLC
114 Newgate St, London EC1 7AE 071-606 9485

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

FINANCIAL TIMES STOCK INDICES

	Sep 20	Sep 19	Sep 18	Sep 17	Sep 16	Sep 13	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs.	87.72	87.66	87.94	87.38	87.44	87.48	87.94	82.17	127.4	49.18
Fixed Interest	96.79	96.80	96.99	96.63	96.07	96.07	96.99	90.59	105.4	50.53
Ordinary	2038.8	2011.3	2007.1	2037.9	2051.0	2067.8	2108.3	1606.3	2108.3	49.4
Gold Mines	159.2	161.6	159.2	155.6	155.0	154.4	222.8	127.0	734.7	43.5
FT Act All-Share	1258.72	1253.48	1252.69	1257.00	1261.32	1269.19	1284.07	987.46	1284.07	61.92
FT-SE 100	2600.3	2588.7	2583.6	2594.4	2606.0	2625.8	2679.6	2054.8	2679.6	986.9
FT-SE Eurotrack 100	1114.51	1113.95	1111.91	1115.57	1111.95	1116.74	1165.54	900.45	1165.54	900.45
FT-SE Eurotrack 200	1174.90	1171.28	1170.39	1174.54	1173.55	1183.12	1198.60	938.62	1198.60	938.62

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

Continued on next page

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	Midland Bank	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Mount Banking	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	NatWestminster	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	Northern Bank Ltd	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Nykredit Mortgage Bank	11.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Provincial Bank PLC	14
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Roxburghe Bank Ltd	11.5
Bank of Cyprus	10.5	First National Bank Plc.	14	Royal Bk of Scotland	10.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	● Smith & Williamson Secs.	10.5
Bank of India	11	Robert Fraser & Ptnrs.	11	Standard Chartered	10.5
Bank of Scotland	10.5	Girobank	10.5	TSB	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	Unibank plc	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	● United Bk of Kuwait	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	Unity Trust Bank Plc	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Western Trust	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Westpac Bank Corp.	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Whiteaway Laidlaw	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Yorkshire Bank	10.5
City Merchants Bank	10.5	● Leopold Joseph & Sons	10.5		
Clydesdale Bank	10.5	Lloyds Bank	10.5		
Co-operative Bank	10.5	Meghraj Bank Ltd	10.5		
Coutts & Co	10.5	McDonnell Douglas Bk	10.5		

● Members of British Merchant Banking & Securities Houses Association.

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline, call 0836 43 + four digit code. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Share Code Booklet call 071-925-2128.

AMERICANS

Market Cap. £m	Stock	Price £	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
13,142.8	Abbott Laboratories$1	30	-1.0	1.9	10.7	FeMyAuNv	1503
138.7	Allegheny & W 1c	267p	2.7	6.6	–	–	–
891.9	Amdahl 5c	805p	-1.3	0.7	31.1	NvMrJeAu	–
3,509.1	Amer. Cyanamid $5	37½	2.7	2.4	27.2	MrJeSeDe	–
7,107.7	Amer. Express 60c	15¼	1.9	3.6	1.7	FeMyAuNv	1594
24,280.8	American T. & T. $1	22	-0.3	3.5	27.3	FeMyAuNv	1597
15,806.9	Ameritech $1	36¼	0.7	5.6	28.3	FeMyAuNv	–
4,973.9	BankAmerica $1	23	-4.0	3.1	16.8	FeMySeDe	1744
2,751.7	Bankers N.Y. $1	33	0.9	8.5	27.9	ApJyOcJa	1745
11,088.5	Bell Atlantic $1	28	-0.4	5.3	4.7	FeMyAuNv	–
14,655.9	BellSouth Corp	28	0.7	5.6	5.4	FeMyAuNv	–
780.7	Bethlehem Steel $8	10¼	....	2.3	6.2	MrJeSeDe	1821
509.6	Bowater Inc	1421p	-3.6	5.0	6.6	OcJaApJy	1884
3,812.5	CPC Intnl. 25c	50	-3.0	2.3	26.6	JaApJyOc	2263
150.2	California Engy	825p	-8.7	–	–	–	–
5,588.2	Campbell Soup 15c	44	-0.1	1.6	4.1	OcJaApJy	2050
1,464.0	Chase Manhattan $12½	10	-4.1	6.6	29.7	FeMyAuNv	2109
1,416.4	Chrysler $6¼	6	-6.5	5.6	11.9	ApJyOcDe	2135
2,919.8	Citicorp $1	8	3.0	7.0	23.10	MyAuNvFe	2141
3,139.7	Colgate-Palmolive $1	23½	2.2	2.7	22.7	FeMyAuNv	2184
637.6	Cont'l Bank Corp $4	631p	-8.0	5.6	31.5	DeMrJeSe	–
738.2	Dana Corp. $1	18	0.7	5.3	27.8	MrJeSeDe	2306
324.2	Data General	1175p	-2.0	–	–	–	–
819.7	Dial Crop. $1.5	20½	-0.6	4.0	28.5	JaApJyOc	2778
4,864.8	Dun & Bradstreet $1	27¼	4.3	4.7	13.2	MrJeSeDe	–

CANADIANS

For Varity see Americans

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

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LONDON SHARE SERVICE

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LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUSTS

INVESTMENT TRUSTS—Contd

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

FINANCE, LAND, ETC—Contd

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

MINES—Contd

Australians

Tins

Miscellaneous

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
414.9	Hemlo Gold Mines	£4¾	..	2.3	3.6	Dec Jun	–
863.3	Homestake Mining $1	£8¼	2.2	1.4	1.8	FeJeAuNv	2916
17.5	‡Hibernia West ..... γ	55	1.9	–	–	–	–
0.87	‡‡Kells Mins. Ir5p .γ	36	2.9	–	–	–	3741
5.28	‡Kenmare ....γ	11	4.8	–	–	–	1453
0.87	‡‡Navan Resources... γ	16	....	–	–	–	1185
7.95	Northgate Expl C$1 .	63	–8.7	–	10.77	–	–
1.69	North West Exlp.. .	5	....	–	–	–	–
–	Orys Gold Hldgs	132	–2.9	–	–	–	3686
0.77	‡‡Ovoca Gold IR 2p...γ	11	–21.4	–	–	–	1470
3.37	Plateau Mining 20p β	18	....	–	–	–	3407
5,465.9	RTZ 10p ... α	551xd	–0.9	4.7	16.9	Dec Jul	3880
–	♥Thorco Res. Inc.§.	10¼	–2.4	–	–	–	–
2.14	♥Viscaya Hldgs 5p.. β	4	....	–	–	–	4193
52.7	♥Wstrn & Pac Res‡ ..	96	–2.0	–	–	–	–
11.2	♦Young Group 10p . β	120	–1.6	5.8	2.9	May Oct	5080

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares.
γ Gamma refers to other traded instruments.
Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.
Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ♣ Not comparable
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- § Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents e Redemption yield. f Flat yield. h Kenya. C Canadian. E Minimum tender price.
Abbreviations: xd ex dividend. xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. β	640	..
Finlay Pkg 5p.... β	21	5.0
Holt (Jos) 25p.... β	1975	0.1
Heiton Hldgs.... γ	45	......
IRG........	130	......
United Drug....	180	......

IRISH

Cap 8½% Ln 2010...	£93¼	–1.5
9pc Cap Ln 1996.	£98	–0.5
Fin. 13% 97/02...	£114	..
Arnotts ...	209	16.1

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	68
BOC Grp	31
BTR	33
Barclays	38
Blue Circle	24
Boots	38
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	58
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	38
Lucas Inds	13
Marks & Spencer	21
Midland Bk	16
Nat West Bk	27
P & O Dfd.	51
Racal Elect.	18
RHM	28
Rank Org Ord.	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	48

Property

Brit Land	30
Control Secs.	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Aviva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	10
Gaelic Res.	1
Premier	6
Shell	41
Tuskar Res	2
Ultramar	38

Mines

Lonrho	21
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service:

Additions:
Scottish Value Trust (Section: Inv. Trusts)
US Smaller Companies (Inv. Trusts)
Do. Warrants (Trusts)

Deletions:
Chelsea Man (Stores)
Propeller (Stores)
Quotient (Industrials)
Ramar Textiles (Stores)
Saltire Insurance Invs. (Insurances)
Thurgar Bardex (Chemicals)

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	0.03	15	609	14¼	14	14¼	
18⅞	14½	A L Labs A	0.16	0.01	19	1449	17⅛	16¾	17⅛	+½
55⅞	40⅞	AMP Inc	1.44	0.03	18	3200	51⅞	51⅛	51¼	−¼
59⅞	44¼	AMR				113035	59⅛	58⅝	58⅞	
2⅝	1	ARX			1	29	1¼	1⅛	1¼	+⅛
58	41½	ASA	3.50	0.08	13	210	45⅝	45¼	45½	−⅝
55¼	39⅝	Abbott Lab x	1.00	0.02	22	8250	54	53	54	+¾
14⅝	9⅞	Abitibi Pr	0.50	0.04	24	148	13½	13¼	13¼	−⅛
11⅝	10⅝	ACM Gvt In x	1.28	0.11		1051	11⅛	11	11	
9¼	8⅛	ACM GvOpp x	1.01	0.10		107	9⅞	9½	9⅝	+⅛
9⅛	8¼	ACM Gvt Sp	1.01	0.11		433	u9¼	9	9⅛	
11	9⅞	ACM Gvt Se	1.25	0.12		624	10⅞	10⅝	10¾	
8⅝	7⅝	ACM Man x	1.01	0.12		364	8½	8⅜	8½	+⅛
12⅞	11½	ACM Mangd x	1.35	0.11		339	12⅛	12¼	12¼	
7½	4⅞	Acme Cleve	0.40	0.06	17	122	6⅞	6¼	6⅞	
6	3⅛	Acme Elect			2	2	4½	4½	4⅞	
40	22⅜	Acuson				223348	33¼	32⅜	33⅛	+⅞
19⅛	14¾	Adams Expr	0.73	0.04	0	77	18⅝	18⅝	18⅞	
20⅛	17½	Adobe12Pf	2.40	0.12		12	19½	19⅝	19½	+⅛
9⅝	6⅝	Adobe Res			53	283	8⅞	7⅞	8	−⅛
38⅞	18	Ad Micro				11	34	33⅞	34	
14¾	4⅞	Ad Micro P	3.00	0.28	17	2928	10⅞	10⅝	10½	
51⅛	2⅞	Advest Grp	0.16	0.04	5	95	3⅞	3⅝	3½	
49⅛	31⅞	Aetna Lf	2.76	0.08	7	4967	34	33¼	33⅞	−⅛
10⅝	8⅝	AfflI A	0.24	0.03	45	185	8½	8¼	8¼	−⅛
20⅞	12	Ahmanson	0.88	0.05	11	2908	18¼	17⅝	18⅛	+⅛
13⅞	2⅞	Aileen Inc				111668	12¼	11⅞	11⅞	+⅛
74⅛	51⅞	Air Pr Chm	1.56	0.02	14	2288	65½	64½	65⅛	−⅛
30	16⅝	Airborne Frt	0.30	0.01	17	989	26½	25¾	26⅛	+⅜
18⅞	12½	Airgas Inc			97	11	17⅝	17⅛	17⅝	+⅛
15⅛	10	Airlease x	1.68	0.13	7	19	13⅞	13⅛	13¼	+⅛
98½	88¼	AlaPw8.16	8.16	0.08		2	95	95	95	+2½
25⅛	21⅞	AlaPw PfA	2.00	0.08		11	u25⅛	25⅛	25⅛	
105½	100	AlaPw9.44	9.44	0.09		z410	106½	106	106½	+1
108	102⅝	Alab Pw 11				2	104	104	104	
100	96	Alab Pw 3P	9.00	0.09		z100	101½	101½	101½	
98	98	Alab 8.28C	8.28	0.09		z100	96	95	95	−1½
10⅝	9⅞	AlaPwDpPf	0.87	0.09		62	u10⅞	10¼	10⅞	
25⅞	17½	Alaska Air x	0.20	0.01	102	339	22⅞	22½	[illegible]	
20	10	Albany Int	[illegible]							

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
30	22⅞	BRE Prop	2.40	0.08	19	17	29¼	29	29⅛	+[illegible]
39½	24⅝	Briggs & S	1.60	0.04	74	167	37	36⅞	36⅞	+[illegible]
46	36⅝	Brinkerint				32	474	44⅞	44¼	44½
67⅞	61¼	Bristol M x	2.40	0.03	23	11030	66⅝	65⅞	65⅞	[illegible]
33¾	24½	Brit Airwy	7.78	0.06	13	866	32¼	31⅞	31⅞	[illegible]
49⅞	39	Brit Gas	2.50	0.05	12	40	47½	47⅛	47⅛	[illegible]
77½	63⅞	BP ADR	4.38	0.06		71645	69⅞	69½	69⅞	[illegible]
32⅜	26⅝	BP Prudhoe	3.34	0.10	9	424	31⅞	31⅞	31⅞	[illegible]
8⅞	3½	BP Wts93				708	4½	4⅜	4⅜	
27⅝	18¼	Brit Steel	1.70	0.08	13	140	22½	22¼	22⅜	+¼
68¾	51¼	Brit Tel	3.24	0.05	12	533	68⅞	68	68	−¼
14⅞	4⅝	Broad Inc	0.20	0.01	11	279	u14⅝	14⅜	14½	+¼
30⅞	27⅛	BrklnPld	2.47	0.08		12	u30⅞	30⅝	30¾	+⅛
28⅝	27	Brooklyn U	1.90	0.06	13	138	29⅞	29⅛	29⅞	+⅛
84½	70½	BrwnFormnB	2.24	0.03	14	258	71½	d70¼	70⅞	−⅞
28⅞	21⅝	Brown Grp	1.60	0.06	16	367	26⅝	26	26⅛	+⅛
12⅝	7⅞	Brown&Shrp	0.32	0.04	2	51	8⅝	8½	8⅝	+⅛
30⅞	18⅞	Browning F x	0.68	0.03	14	5216	19⅞	19⅝	19⅞	+⅛
4⅞	2	BRT			0	22	2¼	2⅛	2⅛	
16⅞	8⅝	Brunswick	0.44	0.03	98	2508	13⅛	12⅞	12⅞	−⅛
20	14⅞	Brush Well x	0.72	0.05	20	1091	15⅛	15⅛	15⅛	
27⅞	23⅞	Buckeye Pr	2.80	0.09	9	53	u27⅞	27⅞	27½	
15⅞	13	Bunker Hll	1.87	0.12	0	14	u15⅞	15⅝	15⅞	+⅛
13⅞	10⅞	Burger K I	1.62	0.14	12	37	11⅛	11½	11½	−⅛
18⅞	8⅞	Burl Coat			15	415	16⅞	16⅛	16½	−⅛
35⅞	28⅛	Burl North	1.20	0.04		74689	33⅝	33⅛	33⅞	+⅛
40¼	32⅞	Burln Resc x	0.70	0.02	30	1482	41⅛	40⅞	41⅜	−⅛
16	11¼	Burnham Pr x	1.36	0.09	45	14	15⅛	15	15⅛	+⅛

[illegible]

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NYSE COMPOSITE PRICES

Continued from previous page

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	11½	SCOR US Cp	0.24	0.02	8	370	u15½	13⅞	14½	+1
37	20¾	SPS Techno x	1.28	0.05	12	65	26¾	25½	25¾	-1
2⅛	¾	Saatchi&S			0	615	⅞	13/16	⅞	
13	11	Sabine Re x	1.32	0.11	7	89	12⅞	12¼	12¼	
9⅞	5⅞	Safecard	0.15	0.02	8	501	8⅝	8¼	8½	+⅛
13⅞	8⅝	Safeg'd Sc			3	10	11⅝	11½	11⅝	+⅛
37	28	SafetyKln x	0.32	0.01	26	3528	27¾	27	27¼	+⅝
21⅝	11⅞	Safeway			17	1703	18⅛	17⅞	18⅛	+⅛
4⅞	2⅝	SafewayWSS				175	4	3⅞	4	+⅛
35⅞	26⅞	StJoePaper x	0.20	0.01	34	22	32	31½	31½	-¼
34⅛	28⅝	StJosL&P x	1.66	0.05	12	6	32½	32½	32½	+⅛
4⅛	1½	Salant Crp			0	6	3¼	3¼	3¼	
69¾	43⅝	Sallie Mae	0.80	0.01	19	1173	64⅞	64⅛	64¾	+1
13⅝	10⅞	Salomon Br	0.60	0.04		349	13⅜	13¼	13⅛	
37	22¼	Salomonlnc x	0.64	0.03	6	1765	22½	d22	22½	-⅛
45¾	37⅛	SanDgo G&E	2.80	0.07	11	245	41⅞	40¾	41⅝	+⅝
4⅞	2¾	SantaFeEn x	0.40	0.13	20	17	3¼	3	3	
16¾	10¾	SantaFeERs	0.16	0.01	23	1536	11½	11¼	11½	+⅛
33½	25	SantaFePac	2.65	0.08	10	49	32	31¼	31⅝	-⅛
10¼	5⅛	SantaFeSth				4693653	9⅝	9⅛	9½	
45¾	29⅝	Sara Lee	0.94	0.02	20	4434	44¼	43⅝	43⅞	+⅛
⅜	1/16	Savin Corp				03012	0.06	d1/16	1/16	
7⅞	1⅞	Savin 0.60	0.60	0.36		51	2⅛	2	2⅛	+⅛
40½	33½	Scana Corp	2.62	0.07	8	381	39⅛	38⅞	39	-⅛
44	38	Scecorp	2.72	0.06	11	5459	u44⅛	43⅝	44⅛	+⅝
58⅝	40⅞	ScheringPl	1.32	0.02	20	6033	58	56¾	57½	+⅛
74	50½	Sch'berger	1.20	0.02	25	1207	66⅛	64½	64⅝	-⅞
29½	11⅞	Schwab(C)	0.20	0.01	27	1118	u29⅞	28	29⅞	+2⅛
8⅞	3⅞	Schwitzer			14	23	7⅞	7⅛	7⅛	
17⅞	11½	ScientAtln	0.16	0.01	25	71622	12⅞	12¼	12⅞	+⅛
9⅛	6⅛	Scotman	0.10	0.01	11	108	7⅛	6⅝	7	+⅛
40⅝	35⅝	ScottPaper	0.80	0.02	38	1072	38	37⅝	37⅞	-⅛
16⅛	11⅝	ScuddrNAsF	0.56	0.04		52	15	14⅞	14⅞	+⅛
10⅝	7¼	ScuddrNEuF	0.25	0.03		258	9⅛	8⅞	8⅞	-⅛
25½	19¾	Sea Cont			10	321	22⅞	21½	22⅛	+⅝

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24⅞	14¾	Xtra Corp	0.72	0.03	79	311	23⅞	23½	23⅞	+⅛
24¼	21⅞	Yankee Egy	1.60	0.06	11	71	u24½	23⅞	24½	+⅝
1½	⅜	Zapata				3	361	⅞	13/16	⅞	+1/16
9⅞	5½	ZenithElec			1	437	5⅞	5⅛	5⅞	+⅛
18½	12	Zenith Nat x	1.00	0.06	92	11	15⅞	15¾	15¾	
6⅛	4½	Zeolx Inc x	0.84	0.14		43	6⅛	6	6⅛	+⅛
15⅛	10⅞	Zero Corp	0.40	0.03	17	65	15	14¾	14⅞	-⅛
41⅞	29½	Zurn Ind x	0.88	0.02	14	260	34⅞	34¼	34½	-¼
13½	10¼	Zweig Fund	1.12	0.09		202	12½	12¼	12½	+⅛
10¼	8½	Zweig Totl x	0.96	0.09		615	10⅛	10	10⅛	+⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices September 20

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G		6	1185	10	9¾	9⅞	-⅛
Perini		6	35	10	9¾	9⅞	-⅛
Pd H&P x	0.31	12	6	10	9⅞	10	
Pall LD x	0.17	7	549	18⅞	18⅝	18¾	
Pitway A	0.70	9	21	22⅜	22¼	22¼	
Ply Gem	0.12	159	20	8⅛	8	8	
PresidioA	0.10	2	25	3¾	3¾	3⅞	
Price Com		0	42	¼	¼	¼	
Prof Care		24	125	u10¾	10⅜	10¾	+⅜

NASDAQ NATIONAL MARKET

4:00 pm prices September 20

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		38	1482	30¾	30	30½	+½
XL Data		35	31	11¾	11½	11⅝	+⅛
Xoma Corp		9	12380	17¾	16½	17⅛	+⅝
Yellow Fr	0.94	16	1541	30	29¾	29⅞	+⅛
York Rsch		63	754	8	7½	7⅝	+⅛
ZionsUtah	1.44	9	8	47½	46½	46½	

MONDAY INTERVIEW

Aggrieved proponent of reform

John Selwyn Gummer, minister of agriculture, speaks to Martin Wolf

The minister is 40 minutes late because a party of Russians is in town. Worse, Anatoly Sobchak, mayor of St Petersburg (recently Leningrad), is due in 20 minutes.

Disposing of the problems of European agriculture so quickly turns out less absurd than one feared. Sometimes emotional, Mr Gummer has much to get off his chest, not least to the FT, with which he is "a bit annoyed sometimes when it actually gets the facts wrong". But the principal object of his ire is the plans of Ray MacSharry.

A meeting of the farm ministers, to discuss the controversial reform proposals of the agriculture commissioner, is due today and tomorrow. Does the minister believe it will resolve outstanding issues?

"Its not going to start to," comes the depressing response. "This is a long, long process. We have to get a solution that works and the present proposals don't go anywhere near it. I should think we will be *months and months*."

One of the main problems, stresses Mr Gummer, is that "Mr MacSharry's proposals are *significantly* more expensive even than the present system". Is Mr Gummer not focusing on the budgetary cost alone, however, ignoring the offsetting benefits to the consumer?

"But I'm not," expostulates the minister. "I've never done that at all. I'm so pleased you've come to interview me, because I'm fed up with the FT never listening to what we say. I'm talking about total resource costs.

"First of all, you have to assume that the drop in consumer prices will be along the lines which have been hinted at in the press. I have real worries about how large that price drop will actually be."

Moreover, the problem with the MacSharry proposals is that "you are promising to provide what is in effect a pension for a large number of people and not one that is linked with *the restructuring of their* farms. And, therefore, every year they will demand more. So you have got an engine for budgetary inflation.

"So what we are saying is 'of course you must have the cuts in price. We are in favour of the cuts in price'. But having got the cuts in price we are not in favour of spending that money in the way in which Mr MacSharry is proposing."

The minister is, indeed, obsessed with the budgetary costs. But time presses. At least the minister does agree to price cutting. "No," he replies, "I don't agree. I have pioneered it." Mr Gummer raises his voice. "I am sorry to be aggressive about it. But I am fed up with reading things in the newspaper, as if we vaguely agree with price cuts. We have campaigned for them, year in year out, very often without press support. Now that we object to the mechanisms that are used it is somehow suggested that we are not in favour of reform. That's a very sad situation to be in."

But is he not being far too cavalier about the political need for compensation, especially *for* the small farmers? And why does he complain so much about the discriminatory nature of these proposals, especially when even the National Farmers Union has admitted that you could not operate set-asides for very small farms?

"Well let's take cereals," the minister responds, not even "the most discriminatory one as far as the UK is concerned". The plan is discriminatory in *five different ways:*

- "First of all, the cost of meeting the reductions determined in the Gatt round would *be laid on the most efficient* producers."
- Second, a mixed farm with a number of products below the ceilings gets "a better degree of compensation than a specialist farm".
- Third, efficient farms in countries that produce grain efficiently shall have a smaller amount of acreage compensated than farms in less-efficient countries.
- Fourth, why should "a part-time farmer in Germany get compensated, whereas a full-time farmer with three families living off that farm should not have the compensation? No wonder," he complains, "I am angry".
- Finally, "a large number of products are excluded from any reductions at all and they are all – surprise, surprise – products which are not produced in this country".

And "of course, it's true that there is a *de minimis* level, where it would be ridiculous to try to have set-aside. But that's *a totally different thing from* exempting farms which it is claimed are viable.

Yet, as Mr MacSharry says, 80 per cent of the common agricultural policy's benefits go to 20 per cent of the farmers. If we reform a system like that, do we not have to reduce the present discrimination in favour of the large farmer?

Mr Gummer will have none of this. "Eighty per cent of the money goes to 80 per cent of the land," he notes approvingly. "You are starting from the distorting argument that this system is supposed to be about subsidising the number of people. That is not what the founding fathers said they wanted to do; and it is not what the CAP was about. It is *not surprising* that 80 per cent of the money goes to 80 per cent of the land. It's about right.

'We have campaigned for price cuts year after year'

PERSONAL FILE

1939 Born Stockport, Cheshire; educated King's School, Rochester; Selwyn College, Cambridge
1961 BA in History
1970-74 MP for Lewisham West
1983-84 Minister of State for Employment
1983-85 Chairman, Conservative party
1985-88 Minister of State for Agriculture, Fisheries and Food
1989- Minister of Agriculture, Fisheries and Food

"You have to say what you are trying to do in this reform." First of all, he says, you are trying to halt the production increases, "because you are moving from a time of shortage to a time of surplus".

Then, "Mr MacSharry has made the curious comment *that he wanted to have as* many people involved in agriculture in 20 years time as there are now". But the British *minister rejects this objective.* "I don't believe," he declares, "that it is either a proper aim or one that is shared by the Community members".

The environment is "the only justification for continuing support – and I'm asking for very, very significant reductions in the amount of support, though those cuts must go at a pace that it is possible to deal with in the farming community". Even in the UK, "80 per cent of our land area is looked after by farmers".

So what, more precisely, does Mr Gummer want, apart from the price cuts? "First of all, I would have set-aside on a significant area. But it would have very clear environmental rules. That set-aside would have to be voluntary. But it would be targeted, in the sense that every country would have a *target.*"

Then there might be some kind of pension scheme for small farmers. "I would be perfectly prepared to see such a system, so long as it was linked with structural reorganisation." But also *only* "as long as you had a system that was limited and degressive, applied to people who were 'in post' at the moment".

Is all this not deliberately unrealistic? Are these ideas not simply an invitation to a stalemate?

"No, I don't think that that's true," responds the minister. "First of all, Mr MacSharry's plans are not going to gain support." But do they not do more for the small farmers who concern the Spanish and the Italians, for example, than his would? "I don't think they do," he asserts, "because they do something which actually very many people in Spain and Italy don't like," by consigning those nations to agricultural backwardness forever.

*"I haven't presented a blue*print," he stresses, "because I am keen on being as flexible as possible. But I am not prepared *to have the MacSharry plan,* followed by an add-on package on the environment".

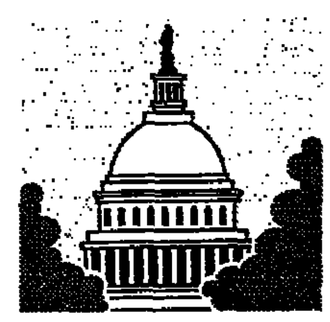
A note is slipped to the minister. Mr Sobchak has arrived. But a final question is permitted. Does the minister believe it is possible to reach agreement in the Gatt without a new EC mandate?

"I don't think that the Community can actually move very far from the package that they've put forward," replies Mr Gummer. But "I do believe that there are ways of making clear that the reductions you're talking about do work their way through, particularly *to export refunds and the like.*

"Quite close to the deadline, the Community, the Americans and the Cairns Group will have *to sit down, bash their heads* together and come out with a solution. There's no other way round it. And I've always *insisted that we talk as little* as possible about this ludicrous concept of a 'mandate', about which there is nothing in the treaty at all." Britain "supports the concept of the Commission negotiating on our behalf and coming back with the solution which we then have to accept or not accept".

Time is up, with far too many issues undebated. But, as he turns to greet Mr Sobchak, the man who sits in one of the hottest seats in politics has one consolation: he is not the Russian minister of agriculture, nor even the mayor of St Petersburg.

Not a good place to lose one's job



MICHAEL PROWSE
on America

President George Bush will shortly face an awkward choice: whether to veto Congressional legislation extending benefits for the unemployed. Congress passed similar legislation in August but the White House exploited a *loophole*. Mr Bush signed the bill, expressed sympathy for the jobless but failed to declare the budget emergency necessary if the benefits were to be funded. The $6.3bn bill passed by the House of Representatives last week was carefully drafted to force Mr Bush to cast a veto if he wants to stop it. The Senate is expected to pass similar legislation shortly.

Mr Bush has exercised his presidential veto 21 times but this decision will be especially sensitive. The most telling criticism he will face in seeking re-election next year is that he has focused too narrowly on foreign policy and ignored serious social problems at home. Democrats see a confrontation on relief for the jobless as a way of driving this point home. "We've helped Kurds in Turkey. We've helped the Bangladeshis. It's time to help Americans," says Mr Tom Downey, a Democrat from Long Island and the chief sponsor *of the house bill, which* was passed by more than the two thirds majority needed to override a presidential veto.

The economy's failure to recover decisively from recession only raises the stakes. The argument that new legislation *is unnecessary because unem*ployment will soon fall looks threadbare: indeed, the jobless rate, already above 9 per cent in some large northern states, could drift higher.

In the US, most welfare programmes evoke mixed feelings. But unemployment insurance – a legacy of the Great Depression – is viewed differently. People accept that individuals, however industrious, are at the mercy of economic tides that can wreck the prospects of particular sectors and beach whole economies. Private insurance against such risks has never been obtainable because the bunching of claims in recessions would bankrupt commercial insurers. The case for government assistance is thus widely supported.

US relief, however, is unusually parsimonious. The basic state benefit lasts only 26 weeks. Mr Gary Burtless, a senior economist at the Brookings Institution, a Washington think-tank, points out that this compares with 52 weeks in Britain and Germany and more than two years in France. Even Japan, noted for its meagre social benefits, pays unemployment insurance for 40 weeks. In most countries, when the jobless run out of insurance, they move on to other benefits, such as Britain's income support. The US lacks a comprehensive safety net. Adults with dependent children may qualify for special means-tested benefits. But single people often find themselves with nothing but food stamps.

In theory, US workers who exhaust their regular unemployment insurance and live in areas of high unemployment *can qualify for "extended bene*fits" providing up to 13 additional weeks of insurance. This was meant to provide a little extra help in recessions. But a tightening of eligibility rules in the early 1980s has drastically curtailed this scheme. More than 2m workers have exhausted their unemployment insurance this year. A record 350,000 workers ran out of benefits in July alone. Yet extended benefits are available only in Puerto Rico and tiny Rhode Island.

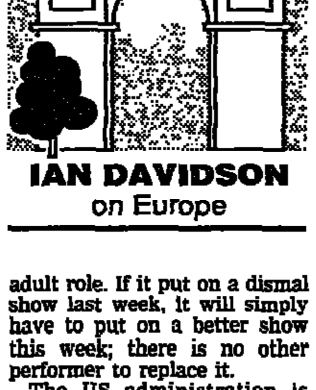
Ironically, the problem is not shortage of cash. Funds intended for extended benefits have accumulated in a trust fund that now stands at $8bn. It has not been drawn down mainly because the trigger for payment of extended benefits is not the actual unemployment rate but the insured unemployment rate. This is artificially low because tighter eligibility conditions and other changes have sharply reduced the proportion of workers qual*ifying for basic* unemployment insurance. The Centre on Budget and Policy Priorities in Washington says that on average only about *40 per cent of* the jobless have received unemployment benefits in recent months.

The bill sponsored by Mr Downey makes the actual unemployment rate the trigger for payment of extended benefits and provides for a maximum of 20 additional weeks of insurance when the jobless rate exceeds 8 per cent. At present unemployment rates, six states, including Massachusetts and Michigan, would qualify for the 20 extra weeks; a further seven, including New York and California, would get 15 extra weeks.

By international standards, the goals of this legislation look modest. The reforms do nothing for millions who do not qualify for even the basic 26 weeks of insurance. The extensions for those that do are conditional on quite severe local economic downturns yet still leave the total duration of benefits shorter than those available at all times in most other industrialised countries. Finally the legislation does not address the social problems posed by any abrupt cut off of benefits: if the recovery does not gather momentum many workers will rapidly exhaust 46 weeks of insurance.

The strongest argument against the legislation in its current form is that it fails to raise taxes to pay for the additional *spending* and *thus con*travenes the spirit of last year's Budget act. Many economists hope the Senate will correct this lacuna. But even if it does not, the White House will find pressure for reform hard to resist. With the jobless widely seen as innocent victims of recession, Mr Bush will not want to risk the humiliation of an overturned veto. But if he relents, it will not mean the US is on its way to a Swedish-style welfare state.

Grow up, and get on with it



IAN DAVIDSON
on Europe

With the civil war in Yugoslavia and the disintegration of the Soviet Union, the European Community is at last coming to the end of its Age of Ambiguity. For many years it was a playground of illusion, where politicians tried to deceive the voters about what it was all for, or whistled derision at the gap between illusion and reality. But the moment is fast arriving when they will have to come clean.

During all those years, Europe's would-be statesmen disagreed violently over the Community's ultimate destination: federalists confronted nationalists, free-traders contradicted protectionists. At the time, the battles seemed dramatic; sometimes they even seemed serious. But with hindsight, we can see that their quarrels were of no real consequence, just play-acting, because the Community was still at a malleable stage of half-formed adolescence; it was *too immature for the rival dog*matists to mould its future.

The crises in eastern and southern Europe have changed the rules of the game. The Community must emerge from its ambiguous adolescence, because that is what the world demands. It must decide where it stands, where it is going, and what it is going to be.

So far, the Community's response has been superficially unimpressive. The efforts of the 12 to sponsor a ceasefire and a *peace conference on* Yugoslavia have proved abortive, and last week's debate on a possible peace-keeping force was a fiasco.

The Community cannot leave the stage, however. The disintegration of the old order requires it to play an active, adult role. If it put on a dismal show last week, it will simply have to put on a better show this week; there is no other performer to replace it.

The US administration is anxious to maintain its role in Europe. But when the question is aid to the Soviet Union and eastern Europe, does the US push to the front? No, it urges this task on the Community. When Yugoslavia starts to fall apart, does the US try to take charge? Not on your life; that's a Community problem.

Other international groupings might theoretically be called on to help in the Yugoslav crisis: the pan-European CSCE, or the United Nations, which is now being invoked. But where does the world look first, and where will it look after the UN says its bit? To the European Community.

The member states respond *to these expectations, but their* responses are not yet quite serious. Last week, France and Germany proposed sending a *European peace-keeping force* to Yugoslavia. Yet in reality France has no intention of sending any force until, by some other mechanism, peace has broken out; and Germany has no intention of sending any force in any circumstances. This initiative's only purpose was to give the illusion of Franco-German unity.

Mr Douglas Hurd, the British foreign secretary, may have felt that he struck a blow for commonsense, for Britain, and for the Conservative party, when he opposed the Franco-German proposal. Yet his government's *general* attitude to the development of the Community is just as two-faced as anything the French or Germans can come up with.

On grounds of national sovereignty, Britain insists that the co-ordination of foreign policy in Europe must be handled by independent governments, away from the toils of the Commission. The French agree. But the contortions of Britain and France to assert their international *stature* are merely painful to the performer and ridiculous to the spectator. The rest of the world is only interested if there is a united European foreign policy; and only a united European policy can exert influence. *So who do they think* they are fooling?

Increasingly, there is no good national option for any European country; the notion that a state preserves its freedom because it has the choice of withdrawing, is literally true but practically infantile. Increasingly, the Community will be the paradigm for all fields *of activity and for all* European countries; and that paradigm must extend to foreign policy, security and *defence*. For Britain and France to yearn nostalgically for a national foreign policy is ludicrous atavism.

Last week's debate on a European peace-keeping force is the precursor of an inevitable trend. The responsibilities now being thrust on the Community will require the member states to consider the entire panoply of state action, including security and defence. In the circumstances, the proposal for a peace-keeping force was misplaced, and a serious tactical error by the French. But the underlying assumption, that the 12 must take account of the defence-security dimension, and can only do so in a Community context, was clearly not misplaced.

Moreover, this assumption evidently responds to the felt needs of all the member states. Mr Hurd succeeded in defeating the peace-keeping proposal: but he did not argue that the subject was out of bounds for the 12 foreign ministers.

European businessmen have summed up the position.

"If the effective economic and political power in Europe is passing to the Community, then that is where the responsibility for our security will eventually be located, and the time to start planning for that objective must be now.

"The pretence that the Community can satisfactorily deal with economic subjects while leaving the management of all other foreign affairs in other hands has become an anachronism.

"A coherent foreign policy needs political institutions with decision-making powers, *backed by a unified diplomatic* service with the resources to develop and implement the necessary policies." *

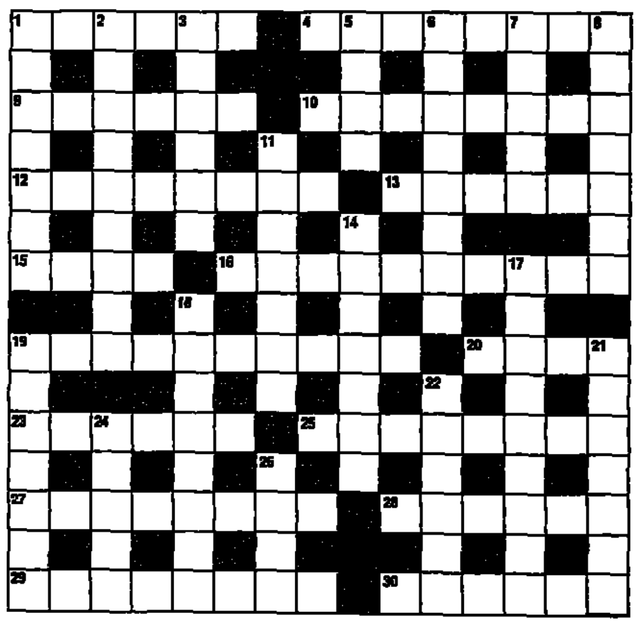
In other words, grow up, and get on with it.

* *Reshaping Europe. European Round Table of Industrialists, 15 rue Guimard, Brussels*

JOTTER PAD

CROSSWORD

No.7,653 Set by PROTEUS



ACROSS

1 Vegetable unpopular with motorists (6)
4 Girl shows discretion (8)
9 *Pun about assistance* without recompense (6)
10 The opposite of talk (8)
12 Fire journalist, being full of life (8)
13 Bear witness to attending trial? (6)
15 Was first to include article *in metal* (4)
16 Declaration of French attitude (10)
19 Style with fair amount of *restraint (10)*
20 Halt on way to work (4)
23 Proper girl, turning on chaperon (6)
25 *Goes back over defeats* (8)
27 Unpractical person with a notion to please (8)
28 Right for example to have *drink at feast* (6)
29 Star finding flower at ski resort (8)
30 Withdrawing to a retired spot (6)

DOWN

1 Advice from a lawyer (7)
2 Censure prime movers in South African goldfield (9)
3 *Soldier* in odd iron coat at starting point (6)
5 Cross over entrance (4)
6 Joint vote overthrown in *Irish parliament* (8)
7 Self-possession never disturbed (5)
8 Continually putting on weight in *this place* (7)
11 Quotes from memory programmes previously broadcast (7)
14 Person of rank who sounds a bit of a nut (7)
17 During trial at European capital showed lack of will (9)
18 Disputatious mathematician (8)
19 Forced air bubble into wine (7)
21 They send off bills (7)
22 Show high regard for Paul (6)
24 Seventies' happening (5)
26 River goddess (4)

The solution to last Saturday's prize puzzle will be published with *names* of winners on Saturday October 5.